FEB 2
1935



# BUSINESS WEEK


Underwood

**FLYING START—Development of American air service by policy, instead of by confusion, begins with the report which these members of the Federal Aviation Commission, headed by Clark Howell (with the stick), have just left on the President's desk.**

McGRAW-HILL
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# *Fleet Owners Agree*

# BUSINESS NEEDED THIS FUEL-SAVING FLEET CAR

## New Advanced Engine averages 25% less Gas and Oil!*

***New Plymouth Business Coupe Offers You:**

**Lower rear axle ratio . . . a greatly improved cooling system . . . economic life of the car is increased by as much as 33⅓%.**

**New small-bore carburetor and manifold . . . calibrated ignition . . . reduce gasoline and oil consumption as much as 25%.**

**Larger Hydraulic Brakes . . . longer wearing . . . life of tires greatly increased.**

**Mola Steel springs plus weight re-distribution (engine moved forward) . . . end driving fatigue.**

IT HAD TO COME! Fleet owners needed it. With former discounts on gas and oil abolished, business car costs had become almost prohibitive.

It took more than a revamped passenger car to meet this problem. It took a new kind of automobile . . . the 1935 Plymouth Business Coupe.

Everything in this new car was designed for two purposes: for better performance in business use and to cut all operating and maintenance costs to the bone!

There's a special small-bore carbureter and a new "centralizing" manifold that no other car has.

In conjunction with calibrated ignition and an improved cooling system, these features cut fuel consumption 25%.

### *No need for Premium Gas*

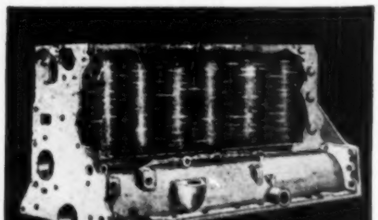
In fact, the improved engine in this new Plymouth Business Coupe is of such an advanced type that despite its high compression (6.7 to 1) the use of premium gasoline is entirely unnecessary.

But the sensational economy of this new car is only one reason why so many fleet owners are switching to Plymouth this year. The extra safety and comfort it offers their salesmen are points they have chalked-up in its favor, as well.

With larger Hydraulic Brakes and a much stronger Safety-Steel Body than ever before, the new 1935 Plymouth Business Coupe provides the very best highway insurance that you can buy.

And nothing has ever been devised that can keep your men as free from driving fatigue, even on long trips, as this new Plymouth's "Floating Ride."

Any Dodge, De Soto or Chrysler dealer will give you the complete facts about the new 1935 Plymouth Business Coupe . . . or a demonstration, if you wish.



*Full-cylinder-length water jackets greatly reduce engine temperature . . . save oil.*

*Directional water circulation assures additional economy by cooling all valves equally.*

**PLYMOUTH** NOW ONLY **$565** AND UP F. O. B. FACTORY, DETROIT *World's Safest low-priced Car*

# Washington Bulletin

WASHINGTON *(By Business Week Staff Correspondents)*—Terrific bombardment of the work relief bill in the Senate reveals President Roosevelt again occupying his favorite middle ground position. He is strongly entrenched between the two extremes in the ideal compromise spot.

From the standpoint of private business, he is now assured of victory on the most important single point in the bill—that of providing wages in work relief less than in private industry, but more than the dole. In the House a move to boost relief wages to "prevailing wage" standards was lost by only 28 votes. But in the Senate, opposition to higher wages will be stronger. The South, with larger proportionate representation in the Senate, is much worried by the possible effects on Negro labor of work relief wages.

> ***WHAT CONGRESS DID***
>
> ***The Senate:***
>
> ***Passed $9-billion bond bill, independent offices appropriation bill, deficiency appropriation bill. Extended and liberalized RFC Act.***
>
> ***Voted against World Court adherence.***
>
> ***The House:***
>
> ***Passed $4.8-billion work relief bill, crop production bill. Extended bond issuance limit, RFC Act.***

### Pensions Under Control

This situation also promises to figure on Roosevelt's side and against Townsend plan advocates when the old-age pensions bill reaches a vote. Southern senators are expected to stand firm against boosting rates from $30 a month, half state and half federal, as proposed by the President, to a suggested compromise on $40.

### Can't Ignore Contractors

Roosevelt's desire to ignore the private contracting industry in his work relief program is headed for trouble as a result of the personal friendship of many individual senators for local organizations back home. Contractors generally are interested in local politics, frequently are heavy contributors, and sometimes head city machines.

### Loss of Powers No Blow

As related last week, deletion of the extraordinary powers was not really a blow. It would have been a delightful surprise if the powers had slipped through both houses.

Earmarking of some of the $4.88 billions by the Senate still seems assured, despite the President's opposition. But Roosevelt's grapevine promise that he would personally take charge of the relief program, which worked so smoothly in suppressing the revolt against Ickes in the House, should be taken with a grain of salt.

### Ickes Strikes Back

Resourceful Mr. Ickes, smarting under fire on Capitol Hill, due partly to patronage disappointments of solons and partly to his lack of tact in handling legislators, pulls a fast one. He prompted investigation by the grand jury here of a Willacy County, Texas, irrigation project to which PWA allotted $4.8 millions. This riled Texas politicians who had become tough about Ickes, but it also reminds the public that constant watchfulness against graft is essential.

### Hull Picked Over Peek

The President is expected to side with Secretary of State Hull, who favors reciprocal trade agreements, and against George Peek, who favors international barter by governments, in the feud which has been hamstringing all progress toward expanding exports.

### Licensing for Holding Companies

Delay in the submission of legislation to control holding companies has been due to disagreement as to which agency of the government should administer the proposed law. Licensing of interstate public utilities is generally believed to be the ultimate basis for holding company regulation, for the possibility exists that courts might not uphold a taxation club as a regulatory weapon.

### Court Defeat Not Vital

Do not be misled by the Senate vote against the President on the World Court. It is no more significant than the coming vote on the St. Lawrence seaway, on which the President's defeat is also indicated. A maximum of three Democratic votes against the Court were inspired by opposition to the White House and even in these there were other motives.

### Bardo Stand Influential

Much less character assassination is now expected in Senate munitions quiz as result of the stand by C. L. Bardo, president of the New York Shipbuilding Co., who refused to waive immunity. More scandal headlines are assured, but less personal mud slinging.

### Ship Inspection Law Sure

Early legislation requiring better ship construction, more rigorous inspections, and additional precautions in crew drills and emergency equipment is assured by the latest Ward Line disaster. This was already on the agenda, but the Navigation Bureau will write a much more drastic program now.

### Roper Out of Bounds

No official backing exists for Commerce Secretary Roper's startling suggestion that some international body be set up to allocate quotas for exports and imports of all nations, settling who should sell what, where, and how.

Real explanation is that Roper is desperately concerned about the future of cotton exports and wants to direct national attention to the problem. He knows British mills are re-equipping to handle Brazilian short staple cotton and is worried about American exports if AAA plans continue to encourage foreign mills to obtain cotton from other sources.

### Code Authority Clean-Up

NRA will hesitate no longer in removing other members of code authorities to whom it has taken exception now that it has been sustained by the refusal of the Supreme Court of the District of Columbia to reinstate three former members of the Cotton Garment Code Authority.

### Equipment Cost Deductions

Hoping to hasten and encourage replacement of obsolete machinery, and thus aid the heavy industries, tax experts are considering allowing deduction of the entire cost of new equipment from corporate incomes. Ordinarily such expenditures may be written off in depreciation over five years. In view of the possibility of tax increases later, however, some manufacturers might prefer to distribute the deduction also over the next 5 years.

### Defer Consolidated Tax Fight

The fight to permit consolidated income tax returns has been postponed until the regulations have been drafted, but not abandoned.

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Printed by The Schweinler Press N. Y.

FIGHTING COSTS ON THE BUSINESS BATTLEFRONT

# WINNING

## in the Stock Control Sector!

Here is a discovery for any business battling against rising costs. One of the most critical points is the stock room. The illustration shows a stock room set up to operate with a production system of steel shop boxes for a large eastern manufacturer. This improved handling brought—

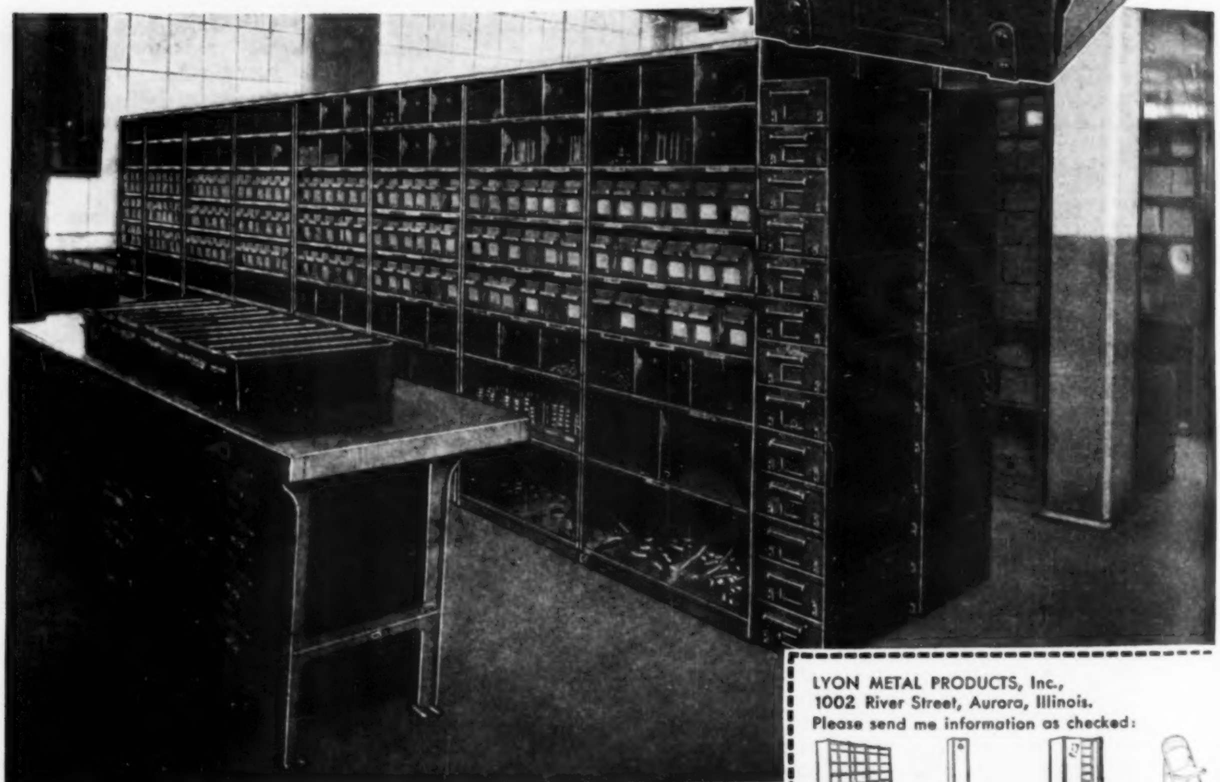
**—economy of floor space.**
**—reduced material handling costs.**
**—the release of an unsuspected volume of misplaced dollars for active use.**

Lyon Storage Equipment Service has a vital story to tell any business that stores tools or stock. Let us present its application to your business. Send the coupon.

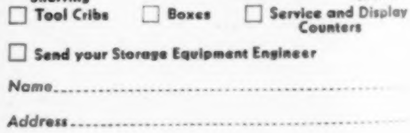
**Lyon Steel Shop Boxes in many cases form a working basis for savings of thousands of dollars. Stock parts allocated to the job on a production ticket rather than issued to scattered work stations provide a practical inventory control. Steel Shop Boxes are light, strong, require much less frequent replacement.**

●

***The specialized steel container developed by Lyon to meet storage and factory transportation requirements in the installation shown here.***

LYON METAL PRODUCTS, Inc.,
1002 River Street, Aurora, Illinois.
Please send me information as checked:



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# LYON *Service*
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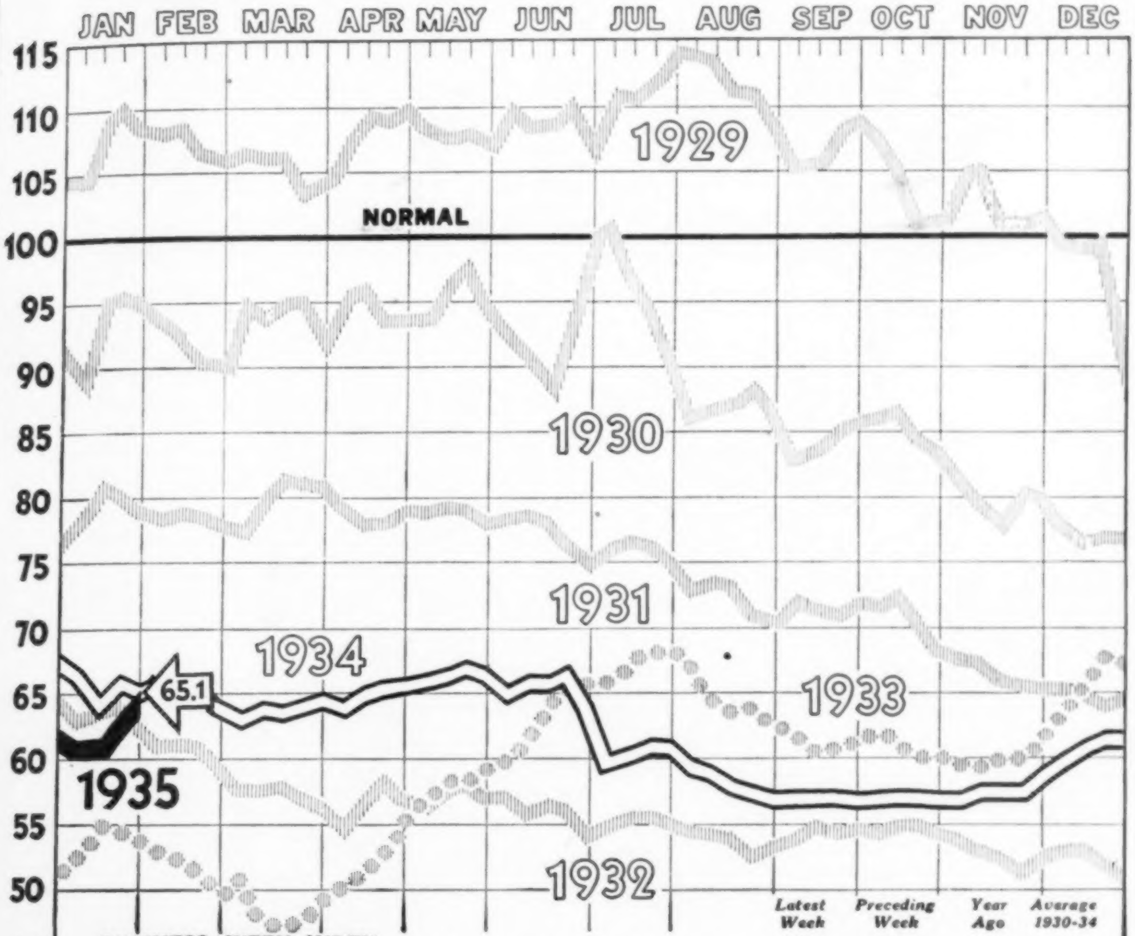
LYON METAL PRODUCTS, INCORPORATED, *Aurora, Illinois*

# WEEKLY INDEX OF BUSINESS ACTIVITY




| | Latest Week | Preceding Week | Year Ago | Average 1930-34 |
|---|---|---|---|---|
| **BUSINESS WEEK INDEX** | *65.1 | †64.0 | 65.7 | 71.6 |
| **PRODUCTION** | | | | |
| ★ Steel Ingot Operation (% of capacity) | 52.5 | 49.5 | 34.4 | 40.5 |
| ★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis) | $4,275 | $3,930 | $7,648 | $7,543 |
| ★ Bituminous Coal (daily average 1,000 tons) | *1,292 | †1,278 | 1,205 | 1,351 |
| ★ Electric Power (millions K.W.H.) | 1,782 | 1,778 | 1,611 | 1,644 |
| **TRADE** | | | | |
| Total Carloadings (daily average 1,000 cars) | 94 | 92 | 94 | 107 |
| ★ Miscellaneous and L.C.L. Carloadings (daily average 1,000 cars) | 59 | 58 | 59 | 67 |
| ★ Check Payments (outside N. Y. City, millions) | $3,321 | $3,657 | $2,842 | $3,829 |
| ★ Money in Circulation (daily average, millions) | $5,364 | $5,391 | $5,316 | $5,155 |
| **PRICES (Average for the Week)** | | | | |
| Wheat (No. 2, hard winter, Kansas City, bu.) | $1.00 | $1.00 | $.85 | $.73 |
| Cotton (middling, New York, lb.) | $.126 | $.127 | $.116 | $.104 |
| Iron and Steel (STEEL, composite, ton) | $32.60 | $32.62 | $31.15 | $31.13 |
| Copper (electrolytic, f.o.b. refinery, lb.) | $.088 | $.088 | $.079 | $.095 |
| All Commodities (Fisher's Index, 1926 = 100) | 81.6 | 81.1 | 72.5 | 72.9 |
| **FINANCE** | | | | |
| Federal Reserve Credit Outstanding (daily average, millions) | $2,468 | $2,466 | $2,641 | $1,767 |
| Loans and Investments, Federal Reserve rep't'g member banks (millions) | $18,257 | $18,264 | $16,396 | ...... |
| ★ Commercial Loans, Federal Reserve reporting member banks (millions) | $4,546 | $4,537 | $4,713 | ...... |
| Security Loans, Federal Reserve reporting member banks (millions) | $3,045 | $3,070 | $3,498 | ...... |
| Brokers' Loans, Federal Reserve reporting member banks (millions) | $887 | $921 | $824 | ...... |
| Stock Prices (average 100 stocks, Herald Tribune) | $97.34 | $97.80 | $103.98 | $118.47 |
| Bond Prices (Dow, Jones, average 40 bonds) | $96.59 | $96.90 | $89.24 | $88.15 |
| Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange | 1% | 1% | 1% | 1.1% |
| Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City | ¾% | ¾% | 1¼-1½% | 2.9% |
| Business Failures (Dun and Bradstreet, number) | 259 | 274 | 315 | 646 |

* Preliminary † Revised ★ Factor in *Business Week* Index

# The Business Outlook

WHAT the construction industry did to break the jam of the 1921 depression, the motor industry seems destined to accomplish for the current business deadlock. Disregarding labor threats and the uncertainties of legislative enactments, the automobile manufacturers have set as their goal to produce and sell more than 3 million cars in 1935, and to make a profit doing it.

Their zeal in getting started on this program at the earliest moment has surprised the closest market observers. No one expected that more than 125,000 cars would come off the line in December; some thought that 100,000 might not be reached. But the records now available indicate that almost twice that many were produced—185,919, to be exact, more than 100% gain over both November, 1934, and December, 1933.

### Federal Reserve Index Leaps

Such an unseasonal rise in motor production which stimulated an unseasonal expansion in steel production accounts for the extraordinary 11-point bulge in the adjusted production index of the Federal Reserve Board, from 74% in November to 85% of the 1923-1925 base period in December. It now appears that the first quarter of 1935 will have no difficulty in surpassing the average level of a year ago, a thing that seemed extremely dubious in the last half of 1934.

### Employment Shows Gain

The unprecedented expansion of manufacturing production in December in motors and steel was reinforced by similar unseasonal increases in the tire, tobacco, and textile industries. Consequently it comes as no surprise that employment in the nation's factories gained nearly 2%, payrolls 6%, and the number of unemployed in manufacturing dropped over 200,000 from the month previous. What should be emphasized is that the largest gains in recent months have been in the durable goods groups rather than in the non-durable. Foundries and machine shops, machine tool makers, hardware manufacturers, plumbers' supply fabricators, agricultural implement makers, in addition to steel and motor plants, added to their forces in December, and are continuing in January.

### Earnings Statements Cheerful

Adding to the optimism that is engendered by every upward move of the production indexes are the earnings reports now making their appearance. Here are samples from the early reporters: General Motors with $94.8 millions against $83.2 millions in 1933; Woolworth with $32.1 millions against $28.7 millions; Liggett & Myers Tobacco Co., $20.1 millions against $16.7 millions; Caterpillar Tractor, $3.7 millions against $302,716; Inland Steel, $3.7 millions against $166,693. U. S. Steel made operating profits of $35.2 millions compared with $18 millions in 1933, but after charges and preferred dividends, the deficit was reduced from $43.7 millions to $28.9 millions.

### Foreign Trade Value Up

Foreign trade ended the year with a 27% gain in exports over 1933, and a 14% rise in imports. Exports in December fell below the preceding year for the first time in 19 months, chiefly due to curtailments in tobacco, cotton, coal, crude petroleum, and meat products. These products have had sharp increases in prices over 1933, and exports naturally have been discouraged. Measured by volume, the 27% gain in exports would be cut substantially, and the 14% gain in imports would disappear entirely. Value of machinery and vehicles exported last year topped $435 millions compared with $236.7 millions in 1933, an 84% gain in durable goods products.

### Steel Keeps Going

Steel's remarkable rise to 52.5% of capacity stirs speculation as to how far the expansion can continue. It now seems certain that last year's June peak of 57.4% can be exceeded before the first quarter ends. Some cast an uneasy glance at the recent weakness in scrap prices, though this may merely reflect the larger volume of material called forth by the greater industrial activity and the starting up of pig iron blast furnaces. In some localities, such as Detroit, where motor activity forced steel mills to operate at capacity, further expansion is limited. But if there is any encouragement from those other 2 major steel buyers—railroads and the construction industry—the Philadelphia, Buffalo, and Southern steel centers have plenty of capacity to utilize. Liberalizing of RFC lending power, the building program contemplated under the Housing Act and the currently discussed $4.9-billion fund offer prospects. January structural steel contracts reached 55,850 tons compared with 31,500 in December. Railroad air-conditioning is likely to get a bigger boost this year than last.

### Half-Year Prospects

The motor industry, despite threats from the A. F. of L., disgruntled because its strength in automobile centers has been shown up as exceptionally meager, will be a steel customer of substantial volume for the entire first half of 1935. A 30% increase over the first quarter of 1934, which means more than a million cars compared with 749,532, seems assured. April may be the peak month, but May and June will be well over 300,000. This will bring the first half of the year above 2 millions, indicating that in 1935, as in recent years, two-thirds of the year's output is concentrated in the first half. This, more than the question of code renewal, bothers the Administration in its quest for stabilized employment.

### More Labor Unrest

More immediate than the threat of labor trouble in motor or steel centers is the disturbance in Toledo glass plants. Unless this is settled soon, motor makers will be handicapped by shortages. To offset dissatisfaction arising from the recent stand of tire companies toward elections ordered by the National Labor Board, two large companies granted wage increases.

### Home Building Gains

January residential construction is already above the entire month of December and a year ago, though 8 days' contracts must still be added to the record. The 60% gain in daily average over the preceding month and over a year ago exaggerates the gain because the volume is still small, but the trend is one to be watched by lumber, hardware, plumbing, and house-furnishing manufacturers. Probably cold weather and snow discouraged public works projects, which trail 6% behind December and 57% behind a year ago. Cement manufacturers are not discouraged by the poor start, but expect to see a 20% increase in their 1935 output. Manufacturers who account for 85% of the industry claim they did $74 millions of business in 1934, $64 millions in 1933.

Reduced marketings cut December farm income more than usual despite the sharp rise in farm and food products which has continued through January. Including benefits, cash income reached $488 millions, bringing the year to $6.1 billions, a 21% gain over the $5.1 billions of 1933.

# HOW Gradual Changes

## Increased Plant Efficiency Assured Dependable Power and Cut Power Costs

THE plant of the Shelby Salesbook Company, Shelby, Ohio, was operated by old d-c. motors, obtaining d-c. power from a motor-generator set. To eliminate shutdowns through possible failures, the management gradually changed the plant over to a-c. equipment.

The final step in this change-over included the installation of thirty-five G-E motors, together with the necessary control, cable, and distribution equipment. This change increased the plant's efficiency, assured a dependable power supply, reduced the maintenance previously required, and lowered the annual power bill more than *21 per cent.*

The best of equipment becomes obsolete in time. Obsolete equipment is expensive, both in operation and maintenance. Are you operating electric apparatus which, although still in good running condition, is out-of-date? Start a search today for opportunities to save in your own plant. G-E sales engineers will gladly assist you with problems for which an electrical solution may be practical. General Electric, Schenectady, N. Y.

**Much modernization is accomplished a little at a time, with relatively small outlay, BUT the SAVINGS start with the FIRST sound change.**

020-137

**GENERAL ELECTRIC**

NRA U.S. CODE GRAPHIC ARTS INDUSTRY
# BUSINESS WEEK
FEBRUARY 2, 1935

# Foreign Trade Jam Breaking

**Hull-Peek (or reciprocity vs. barter) battle that has blocked export recovery seems at last to have swung in the Secretary's direction.**

WASHINGTON (*Special Correspondence*) —Washington's log jam on international trade is cracking. Reciprocal trade agreements, retaining the "most favored nation clause," seem assured of victory over international barter under government supervision.

This news is based on definite indications that the President has decided for Secretary of State Cordell Hull, against George Peek, special adviser to the White House on foreign trade, in a clash of policies and personalities that has blocked the whole progress of export recovery. It's exciting news to business men who knew what was going on under cover and realized how far the importance of this official feud transcended that of the Hull-Moley and Wallace-Peek rows which so excited the politicians and the general public.

Hull stands for reciprocal trade agreements which would give equal advantages to all foreign nations not discriminating against the United States, and for permitting trade to flow naturally through normal channels without regimentation, quotas, or other governmental interference. He has been working for treaties along these lines and has almost completed one with Brazil, where our unfavorable trade balance gives him a chance to make a highly favorable start on his program.

Peek stands for barter by governments, with virtual regimentation of both imports and exports. He has had on the President's desk for weeks a barter agreement with Germany that would dispose of half a million bales of American cotton for a small amount of cash and a large amount of blocked marks. The effect would be to give German manufacturers the cotton at a much lower rate than their competitors. Thumbs down on this deal will mean thumbs down on a key move in Mr. Peek's game, on one of our 5 biggest customers, on the one that has officially declared for trade by barter exclusively. Best information today is that the Presidential thumb has been turned down on the plan.

The "Presidential Adviser" seems to have stumbled on those blocked marks. They can be used only to buy German goods. With the boycott on Hitler's exports cutting down purchases from the Reich, notably by our department stores, blocked marks are on the market at a sharp discount. Germany is encouraging this discount, hoping that it will stimulate foreign buying. By taking some $40 millions of additional blocked marks, the Peek cotton barter agreement would sharply increase her advantage in our markets.

### Machinery Makers Worried

American machinery makers are particularly concerned about this prospect. They have pointed out to the President that, lacking the department store trade, the most logical use of these marks would be to buy Germany's most competitive product—her machinery—for sales in this country. Textile concerns have also pointed out the danger of giving the Reich's mills a chance to undersell them with bargain cotton, recalling what happened to coffee after a German barter with Brazil broke the world price.

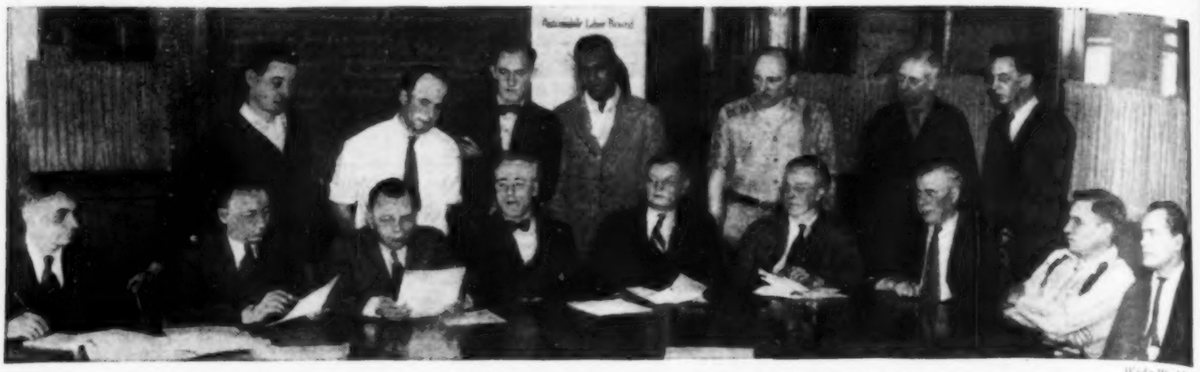
Secretary Hull, in his turn, has undoubtedly pointed out that this mark problem illustrates the objections to the whole barter scheme: it would force trade along new and unnatural channels against not only the inertia but the opposition of existing trade agencies; its advantages would be temporary as against the long-term promise of treaties reducing trade barriers and removing discriminations.

He has another strong weapon. The "most favored nation" clause in his kind of treaty doesn't apply to goods coming from any country which discriminates against American exports. He has today a treaty with Belgium almost ready. It covers types of Belgian products which are also exported by France. When the Belgian treaty goes through —followed by others with Italy and Spain—France will lose considerably to her national competitors if she doesn't, at least, end her discriminations against American exports.

It is this point in the Hull strategy that is believed to have swung the President away from Mr. Peek's more spectacular plans to make a quick showing by getting there "fustest with the mostest" bargains.

*International News*
LOSER?—Latest signs in Washington indicate George N. Peek, president of the Export-Import Bank, loses in his determined fight for the barter method of boosting foreign trade.

*Acme*
WINNER?—Secretary of State Cordell Hull, whose championship of reciprocal trade agreements at last seems to have won White House favor on the promise of long-term results.



Wide World

**EMPLOYEE REPRESENTATIVES—The new Cadillac collective bargaining board, headed by Elmer H. Gustafson (seated third from left), started out by endorsing a move to form a national association of automobile employee organizations for collective bargaining. The Cadillac group was the first to be set up by a company election directed by the Automobile Labor Board.**

# Motor Labor Show

## A. F. of L. strategy in automobile industry is dictated by Detroit plant elections that deflated union claims.

THE American Federation of Labor's repudiation of the Automobile Labor Board prior to action on the Feb. 1 renewal of the automobile code is no surprise to those who have watched the trend of voting in the Detroit plant elections ordered by the board (*BW—Dec15'34; Jan19'35*). The fact that only 1,847 out of 38,336 workers designated affiliation with the A. F. of L. is probably the most damaging thing to the federation's prestige since NIRA got under way, even if it be granted that there were union men among those who did not choose to declare themselves. F. J. Dillon, Green's Detroit representative, has tried to explain away the elections by pointing out that he advised his members to have nothing to do with them, but looming up to taunt him is the fact that 90% of the eligible workers voted.

### Mandate Job

Wolman's board is convinced it has found a fair but friendly method of collective bargaining. It has sought to carry out the mandate of proportional representation laid down in the President's agreement of Mar. 25, 1934. And there lies the chief trouble. Since the decision for majority rule in the Houde case, the federation has grown cold toward proportional representation, claims it won't work. Furthermore, Dr. Wolman's slow movements, his counsel against impulsive action, always have irked the federation, which constantly must be doing something to keep dues flowing into the treasury.

Why campaign for majority rule when the vote shows the A. F. of L.'s membership a weak minority? The answer is that the federation is for an election in which workers would vote for either it or a company union. (Dr. Wolman's board permitted them to register any or no affiliation, and 90% indicated none.) With no other alternative given employees, the federation might secure a majority in some plants. Wherever this happened, its membership would blossom like flowers in spring as workers rushed to "get right" with their official bargaining agency.

Union leaders had already decided that they hadn't a chance in their fight to have the automobile manufacturers' code reopened for public hearing. Car makers wouldn't object to dropping the code, since it has brought them nothing but increased costs. The White House is not putting boulders in the path of an industry that is furnishing the country with the kind of revival the Administration has been hoping for. A. F. of L. had its day in court when the Henderson-Lubin commission conducted public hearings in Detroit, and labor is getting a full hearing in the NRA conference on general code labor problems this week.

### Campaign Tour

So A. F. of L. is going back to its old tactics, concentrating on a big membership drive in the motor field. President Green will make a speaking tour of automotive cities the week of Feb. 17, winding up in Detroit on Feb. 23 with a grand revival meeting on a national hookup. About that time, unless Washington has again poured oil on the waters, the automotive council of the federation will be ready to present identical demands to several plants picked because their paralysis would tie up other plants to which they supply parts. Detroit thinks any attempted strikes will be futile affairs, but admits a small group might make plenty of trouble.

Meanwhile, however, there is the Henderson-Lubin production stabilization report offering an opportunity for further exploration to find a peaceful way out. In considering any gestures toward peace the manufacturers may make, Mr. Green is likely to remember that, while the Detroit plant elections showed that he has got to do something to repair the A. F. of L. prestige and help its treasury, they also rendered a pretty clear verdict on any knockdown fight he might attempt.

# Streamlined Scarab

## "Car of the future" boasts radically new streamlining, much roomier body, rear engine.

IN the new Scarab, Americans will shortly be given an idea of how one leading designer, William B. Stout, who designed Union Pacific's streamlined train, visualizes the mass production automobile of the future. It bears no resemblance to the traditional horseless carriage, is constructed on principles never before applied in the motor car industry but successfully used in building airplanes.

No longer than a Ford or Chevrolet, the Scarab (so named because it looks like the classic Egyptian beetle) has more interior space than even the highest-priced car on the market today, because its 100-horsepower, Ford V-8 engine is mounted in a small space at the rear, running boards have been eliminated, and the windshield has been placed right over the front wheels.

A comfortable driver's seat, adjustable to any angle or position, occupies the usual place at the left front of the car. The car amply accommodates 2 other upholstered chairs which can be moved about at will, since they aren't fastened to the floor. Just ahead of the rear wheels is a wide overstuffed cross seat—behind it a shelf for wraps and bundles, in front of it a folding table

which fits into the wall. The rear seat may be moved lengthwise along the side of the car joining with an extension which folds out of the wall to make a full-length sleeping couch.

Headroom is 5 inches more than in the conventional car, the floor being level with the running boards on other cars. There is no dividing line between body and chassis, the car being built on a frame of alloy steel tube hoops. Spring suspension is achieved by means of an airplane landing gear on all 4 wheels, including coil springs with large oil cylinders to absorb shocks. These cylinders extend above the axle up to the lower window line, thus literally cradling the car body and supporting it considerably above its center of gravity. Enough fuel is carried for a 300-mile run. Controls (gear shift, steering apparatus, etc.) are conventional. Power brakes are used, and the engine is connected through a selective gear mechanism to the rear axle.

The entire car (reputed to weigh about 1,800 lb.) is designed on the basis of airplane stress analysis plus crash strength. Claims for the rear-engine mounting: smoother riding, easier steering (less weight in front), better braking, elimination of engine noise and odor, cushioned shock in case of collision.

# Flight of Industry

## New England's flitting shoe plants spotlight an industrial migration due to code, labor, and tax troubles that is worrying many a community.

WHILE focussing on a New England family row, the hearings of the National Industrial Relations Board on the troubles of the boot and shoe industry are calling attention to something that is looming up as a national problem. This is the growing industrial migration resulting from code, labor, and tax troubles.

At the hearings, Farmington, Seabrook, Raymond, and Nashua, all New Hampshire towns, were accused of raiding Massachusetts shoe centers. So were Rumford and Bangor, Me. Witnesses from the Bay State reported that, as prospective employers of idle labor in these towns, shoe manufacturers were offered rent-free occupancy of vacant factory buildings, tax concessions, healthy discounts from power bills. Farmington, they said, even used the town trucks to move one shoe concern.

Massachusetts wants this stopped, claims that the wage-differentials between large and small communities, the exemptions for handicapped workers and the apprentice provisions in the boot and shoe code (*#31:BW—Oct14'33*) are responsible. After watching a 6% loss in shoe production in 10 months of 1934—while New Hampshire gained 9.8%—its city officials are clamoring that the code must be changed.

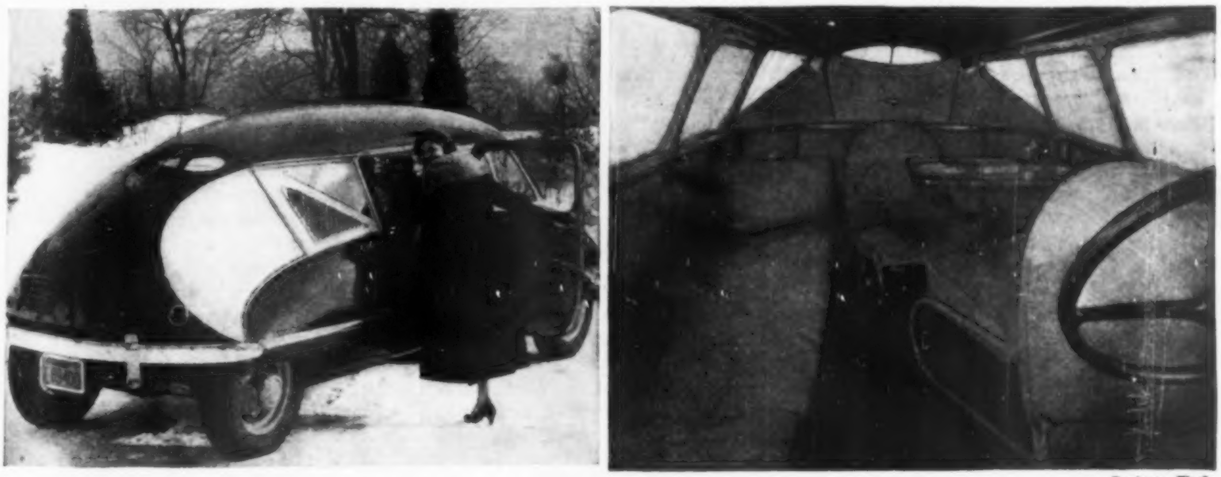
Cities chiefly afflicted support the demand with figures showing drastic increases in unemployment and relief rolls, big declines in tax collections. Haverhill, Mass. (1930 population, 48,710) reported a loss of 56 firms, employing 5,890 workers, with an annual payroll of $4,490,455. Its city attorney demanded 4 changes in the code: (1) elimination of geographical and population wage differentials; (2) occupational wage rate minima to replace the general minimum wage; (3) better enforcement of the code; (4) changing machine-hour limitation of code (now 80 hrs. a week) to limiting employees' work.

Labor leaders are strong for such revisions. They say that NRA "drew an iron ring around labor" in this code, that differentials encourage migrations, stimulate unfair competition. And they added that they were having troubles elsewhere than in New England. For instance, several shoe manufacturers, formerly operating in Cincinnati, where workers draw top pay under the code, have moved to Seymour, Lawrenceburg, and other nearby Indiana or Ohio towns where the lowest wage scale applies and compliance with various cost-affecting code provisions is less stringently enforced.

That code compliance in large cities pushes up costs was shown by reports from 21 factories operating in Metropolitan New York that 1934's sales increase of 11% over pre-code 1933 was accompanied by a 23% rise in payrolls; over-all labor costs rose from 34.2% of selling price to 38.6%—and the difference, said factory heads, was enough to change competitive status in some instances.

### Regional Spread Problem

Wage differentials and other preferential code provisions have made trouble, started migrations in other industries. The $1-a-week difference between Northern and Southern wage minima in the cotton-textile code revived the Southern hegira of Northern mills to such an extent that the President was petitioned to eliminate it. Northern textile centers say the problem will become



Business Week

TOMORROW'S CAR—As unconventional inside as out, William B. Stout's new Scarab anticipates automobile trends of the future. Its roomy interior is achieved by mounting the engine in the rear and moving the windshield up over the front axle.

## Battle of the Brands
### (In Billions)

| *Brand* | *1929* | *1930* | *1931* | *1932* | *1933* | *1934* |
|---|---|---|---|---|---|---|
| Lucky Strike | 36.4 | 42.6 | 44.6 | 37.0 | 37.5 | 33.0 |
| Chesterfield | 26.0 | 25.0 | 24.6 | 21.0 | 29.0 | 34.5 |
| Camel | 40.0 | 38.0 | 33.0 | 24.6 | 26.5 | 33.8 |
| Old Gold | 8.0 | 8.0 | 7.6 | 5.7 | 5.5 | 5.5 |
| 10c. Brands* | .... | .... | .... | 12.0 | 8.5 | 9.2 |
| Mentholated Brands* | .... | .... | .... | .... | .... | 3.7 |
| Philip Morris* | .... | .... | .... | .... | .... | 2.8 |
| Not separately classified | 8.6 | 6.0 | 3.7 | 3.3 | 4.8 | 2.5 |
| Total (billions) | 119.0 | 119.6 | 113.5 | 103.6 | 111.8 | 125.0 |

*No separate figures available for years omitted

**MOVING PICTURE—With estimated total cigarette consumption for 1934 back at a level exceeding predepression highs, this picture of brand preference (as painted by Standard Statistics Co., Inc.) shows notable alterations, some traceable to various economic and social factors, others testifying to decided shifts in the marketing and advertising tactics pursued by individual manufacturers.**

even more serious if the railroads get their requested freight rate boost.

Many industrialists contend that the activities of labor organizations and agitators under the stimulus of NIRA's Sec. 7-a have caused more migration than any wage and hour provisions.

They cite as an example the recent breaking up of one of the large silk dyeing plants in New Jersey, which decided that removal was the only way to escape intolerable labor conditions and "get out from under the throttlehold of the unions." At last reports, its machinery was being re-erected in several different communities in small operating units. Those interested in this operation say that things might be different if everybody, regardless of size of plant or size of town, or location, had to live up to the same rules.

### Taxes Push Them Out

In some instances, local tax rates and assessments have accelerated removals. Unemployment, inability to collect taxes on small residential properties, and mounting disbursements for relief have caused taxing authorities to boost assessments on going industrial properties. Several important mills, mostly in New England or Atlantic Coast states, ascribe recent migrations to the tax situation.

Pepperell Manufacturing Co., one of the largest factors in the textile field, summed up their plight in a message to the citizens of Biddeford (Me.), as it was about to close down part of its mill, throwing 1,700 people out of work. "We cannot afford, whatever the local exigencies may be, to carry a heavier tax load in Biddeford than is carried by other mills. . . ."

Those who have followed the recent growth in plant migrations say that it will become a serious problem in many industries unless suitable changes are made in codes or code compliance is enforced uniformly. They disagree with those who contend that the problem can be handled by court action, hold that injunctions against plant removals cannot be sustained under the Constitution.

Already several cases have found their way into court. Last summer the Doll and Toy Workers Union asked the New York Supreme Court to enjoin a toy manufacturer from moving (*BW—Sep 8'34*) and just recently Justice Black made permanent the temporary injunction, then obtained, forbidding the shift. However, the court refrained from ordering the firm to shut down its new plant at Clinton, Mass., for the reason that "the defendant may see the error of its ways . . . and see to it that the plaintiff union shall be used as a medium of furnishing the workers." But, meanwhile, the unhesitant National Labor Relations Board has decided that 2 Brooklyn fur dressing concerns have violated Section 7-a by closing down their plants and moving to points outside New York City.

## Profits from Waste

**Develop process for making steel mill waste into useful products.**

THE pickling solution from steel mills, one of the major sources of industrial stream pollution, can be turned into useful and marketable products. This is the conclusion that is being drawn from the experience of the Titanium Pigment Co. at St. Louis, where ferrous sulphate is now being treated with success and a profit. The treating plant was built by the Chemical Construction Co., and *Chemical & Metallurgical Engineering* foresees the application of the new process to steel mill wastes which now must be discharged into streams and there destroy virtually all life.

The process turns the ferrous sulphate into sulphuric acid, basic chemical of industry, and a residue cinder of iron oxide. Iron oxide has many uses, including the classic red paint of barns, box-cars, and back fences.

State laws against pollution of streams have forced more and more steel plants to neutralize their wastes, and the new process makes this profitable. It is significant that it also makes it possible for many plants to make part of their own sulphuric acid which, in this country, has heretofore been manufactured only from pyrites or free sulphur, and is purchased in large quantities by thousands of factories.

## Tobacco Prospers

**Brand preferences shift as cigarettes hit new consumption high; success of price controls encourages retailers and wholesalers.**

FOR the priests and patrons of Lady Nicotine 1934 was a banner year.

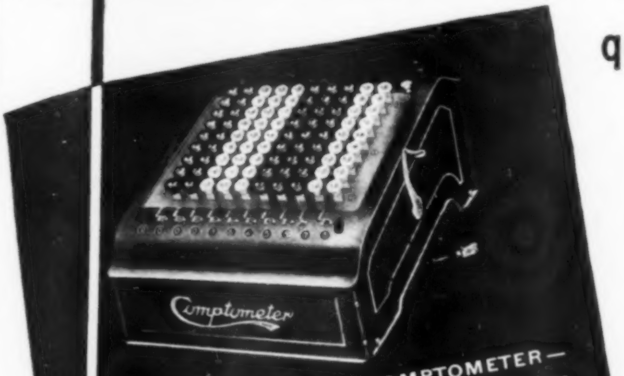
Cigarette production, computed on the basis of federal tax receipts, hit a new all-time high. Cigar, snuff, and smoking tobacco output scored healthy gains. Tobacco wholesalers got a code that kept them out of red ink, and retailers for the first time in history got a legal floor price below which even chains could not cut retail prices. And with the NRA emergency markup regulations maintaining cigarette prices (*BW—Jul21'34*) once more extended (to Mar. 30 this time), the industry isn't going to suffer, at least for the first quarter of the new year.

The 1934 production record of 125.6 billions cigarettes is decidedly encouraging, for it is 13.8 billions ahead of 1933, 6 billions ahead of the previous all-time high. However, not all manufacturers share equally in the new optimism, for the depression years have witnessed some significant shifts in the fickle consumer's preference for various brands—shifts that indicate a high degree of unabated public restlessness. Above is a scoreboard showing consumption (in billions) of leading brands of cigarettes, estimated by Standard Statistics Co., Inc.

Just now, the trade, which considers these figures good enough for all practical purposes, is heatedly debating their exact significance. Advertising and sales managers are trying to see if there is any important correlation between them and the estimated advertising and promotion appropriations of the several companies. Various media representatives are weighing them to develop a

# The *Line* that leads to—

## quicker figures, cheaper figures, more complete figures



ELECTRIC MODEL K COMPTOMETER—Among powered machines of its type, it has no superior.

THE Comptometer line of adding-calculating machines maintains its front-rank position in the field of accounting as high-speed equipment for all figure work.

Those qualities which distinguish Comptometer performance—mechanical precision; sound construction; Controlled-Key safeguard against operating errors, and other automatic safety controls — are available in units suitable for every kind of figure work.

The variety of machines available offers a suitable model for economical production of each class of work.

A Comptometer representative will be glad to discuss the line with you, and recommend the machines most suitable to your own particular needs. A telephone call or letter to any Comptometer office — or to the address below — will bring you further information.

FELT & TARRANT MFG. CO.
1733 North Paulina Street Chicago, Ill.

STANDARD MODEL J COMPTOMETER—High-speed, dependable machine for all figure work.

SUPERTOTALIZER COMPTOMETER—Regular Model J—with dual register for extending sub-totals to grand total.

20-COLUMN DESK UNIT COMPTOMETER—Especially designed for sales distribution and general statistical work.

# COMPTOMETER

TRADE-MARK

convincing sales story for one kind of medium as against another. Copy critics claim that somewhere in those figures is a moral on the relative effectiveness of different advertising themes.

Those with a broader interest in the cigarette industry are inclined to disregard the battle of brands and concentrate on other favorable factors in the 1934 tax figures.

For instance, taxes paid in 1934 on cigarette paper showed only a slight increase, which after the drastic jump recorded in 1931 and 1932 signifies that the roll-your-own fad, whose depression inroads on ready-made cigarette consumption had the big producers worried, is now definitely subsiding. Similarly, they take it as a good sign that the 10¢ brands actually suffered a decrease in the percentage of total consumption, although they scored a slight gain in actual number of cigarettes sold.

**Five-Cent Cigars Gain**

Gains in production of other tobacco products were less spectacular. The cigar industry bowed still more deeply to dominance by popular priced brands, those selling at 5¢ or less accounting for 86% of the total 1934 unit volume, against 84% in 1933, 55% in 1929.

The two leading manufacturers in the field, General Cigar Co., Inc. (White Owl and other brands) and Bayuk Cigars, Inc. ("Phillies" and other brands) increased their share of the industry's total business from approximately 18% in 1933 to 23% in 1934.

Those whose chief interest lies in the distribution of cigars and cigarettes contend that operations of wholesalers and particularly retailers under the existing NRA codes have helped materially to stabilize the market. They claim that in the past the sudden shifts in marketing and advertising policies, which have been responsible for comparable shifts in the popularity of various brands, have been accompanied by price-cutting and under-cover concessions. With manufacturers deprived of these weapons by code edict, real stability in the market should be preserved.

# Aviation Epic

## Federal Commission paints our aerial future with a cosmic sweep, but makes it all sound convincing.

THE Federal Aviation Commission's report is painted with brushes of comet's hair on a canvas of epic proportions. Yet, it planks its conclusions down with tenpenny nails to a rat-tat of facts, and admissions where mistakes have been made and wrongs are to be righted. In other words, a notable report, packed with figures, and contributing new pages to aviation history.

The recommendation that a permanent non-partisan Air Commerce Commission under whose eye government care should be extended not alone to air mail but also to "the maintenance of the best possible transport service for all classes of traffic" is built up—wistfully sometimes, but always convincingly—to so sound a conclusion that such action by Congress is made clearly logical. In all there are 102 recommendations, built up with an orderly presentation of the background facts and a demonstration of how each recommendation was reached.

Americans are wont to doff the hat to European aviation achievements. This report crams that hat none too gently down around the national ears. There is no question of American air transport leadership, with, for instance, 56% of all our transport ships flying at 160 m.p.h. (only a little over 5% of European planes are making 125 m.p.h.) and with American air personnel unexcelled in the world. But no sitting back; the financial situation of the American transport lines needs looking into—some collect 17¢ a mile that costs them 55¢ to fly.

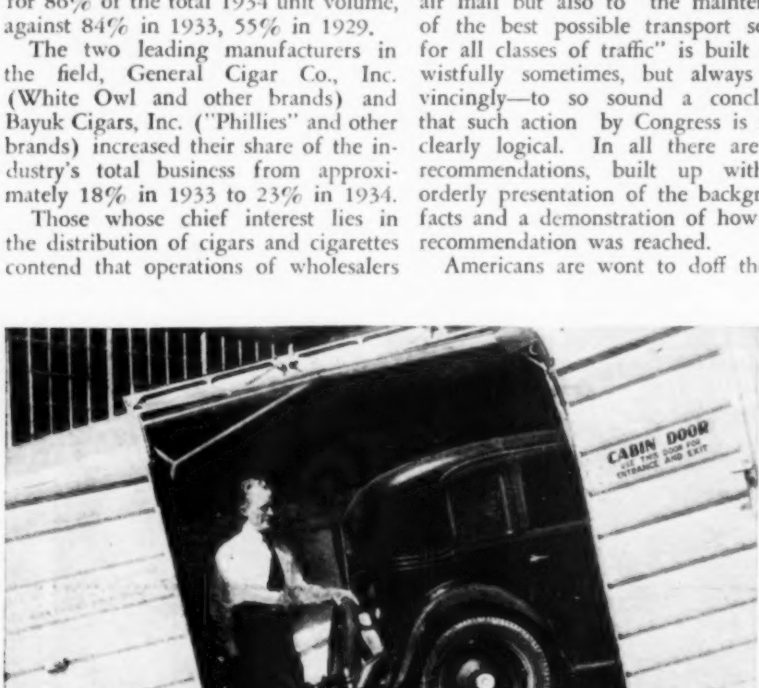
**More Help Needed**

Europe spends $20 millions a year to encourage commercial aviation. We pay postal mileage. Other help must be given, under strict supervision of the new Air Commerce Commission. Postal service should be boosted, by, say, devising single-sheet letters to go for 3¢, postals for 2¢ and—the epic note—the time is getting close when all first class mail should go by the fastest possible route, which is air. ICC should, pending the creation of the ACC (time to give it initials already), have jurisdiction over air mail, passenger rates, etc.

Overseas flying boat transport lines—and rigid airship lines, too—are calmly discussed almost as if already crossing the Atlantic and the Pacific, and the importance of encouraging the stronger lines in such ventures and other major projects, as against getting too much inadequate competition, is discussed with the frankness of an office conference. The government must get into the transoceanic plan, to set up bases, etc., but should look to later sale of such facilities to "a qualified commercial operator."

**ACC Would Be Busy**

The proposed Air Commerce Commission should be created with authority vested in the President to merge it at some future time with any agency that may take supervision of transportation in general, but not yet, while air transport is in its infancy and needs coddling. The ACC would have plenty to do, including supervision of rates and schedules, licensing operations, supervising financial structure of air transport companies, helping out the State Department in international dickerings




*Wide World*

**AUTOMOBILES BY PLANE—Big enough to transport an automobile in its fuselage, with room to spare, Curtiss-Wright's new cargo-carrying airship also can be used for general freight, serve as an ambulance or troop transport. The ship (a twin-motored biplane) weighs 11,762 lb. empty, carries 6,738 lb. of useful load, has a top speed of 177 miles an hour and a range of 750 miles.**

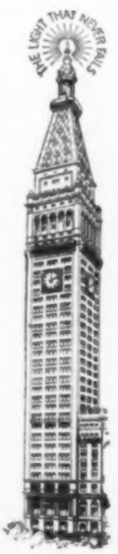
# Program Your *Life Insurance* in a Practical Way


WHEN you bought your life insurance you had the satisfaction of knowing that your family would have money—if anything happened to you. BUT have you arranged for the payment of this money to your family in the most effective and practical way?

Your life insurance can provide a certain amount of ready cash to meet outstanding obligations so that your wife will have no debts hanging over her at the beginning of a difficult readjustment period. The balance of your life insurance may be paid in a number of ways—for example, through monthly instalments to take care of rent, food and various family expenses for a definite length of time.

Plan to finance the obligations of your family through a Life Insurance Program. It can be rearranged as your conditions change. You and your family will have added security because you have planned definitely what you want your life insurance to do.

A Metropolitan Field-Man will be glad to advise you how to start a Life Insurance Program. Send for him or mail the coupon below.




*The Metropolitan issues life insurance in the usual standard forms, individual and group, in large and small amounts. It also issues annuities and accident and health policies.*

*The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.*

Metropolitan Life Insurance Co.
1 Madison Ave., New York, N.Y. (W)

Without obligation, I would like to receive information regarding a Program of Life Insurance which begins with a Cash Fund and a Monthly Income for a definite period.

Name ____________________

Address ____________________

City ____________________ State ________

## METROPOLITAN LIFE INSURANCE COMPANY

**Frederick H. Ecker, President** **One Madison Avenue, New York, N. Y.**

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Acme

**SLASHING SCHEDULES—On the first official inspection tour over the Pennsylvania Railroad's new electrified passenger line between Washington and Philadelphia, this electric locomotive pulled 9 passenger cars 134 miles at a speed averaging 91 miles an hour on the northbound trip. Those making the trip (last Tuesday) included Administrator Ickes (right) of PWA, which furnished funds to complete the project, and Vice-President M. W. Clement (center) and Road Foreman C. G. Wilcox, of the Pennsylvania. Regular electrified service all the way from New York to Washington (226 miles) will begin Feb. 10, will eventually operate on a 3½ hour schedule.**

over air matters, and—selling helium gas to private airships!

Aviation's place in national defense occupies much space in the report, but it works down to a flat statement that whatever scraps and misunderstandings there may be inside and outside the Army and Navy, American military and naval aviation is highly efficient.

The scope of the report is very broad, including a recommendation that the Weather Bureau be transferred from the Department of Agriculture to the Department of Commerce and that new assistant secretaries of various departments be appointed. Those of the War and Navy Departments would have supervision over the training and development of the whole reserve army, thus insuring to reserve flying officers the 3 months' training recommended.

The air mail problem, thrown into such a furore last year by Farley's summary cancellation of all air mail contracts, is approached with sufficient frankness, but as a *fait accompli,* with emphasis on how to revise present practices to achieve an ordered and profitable air mail situation. It is to be noted, however, that the recommendation is that the Air Commerce Commission, when set up, shall regulate air mail rates, and that the postoffice department shall be able to use any facilities that exist, without being tied down to specific contracts.

## Airship Service

**Germany, Holland, and Japan consider establishment of regular services by lighter-than-air craft.**

THREE countries are talking definitely of regular lighter-than-air service in the near future.

In Germany, plans are being made for a vast airport at Frankfurt-am-Main with a landing mast for airships. Frankfurt is to replace Friedrichshafen because it is nearer the great metropolitan centers of Europe, is on express transportation lines, is less foggy in winter, and is in a valley where atmospheric pressure is greater, thus giving airships greater lifting capacity.

Presumably the *Graf Zeppelin* in its South American service and the new zeppelins now under construction for the North Atlantic route to the United States will all operate from this base. The *Graf Zeppelin* did 20 round trips to South America last year, may increase the number next year. Definite date for the opening of the North American service has not yet been announced by the line.

Japan's consideration of an airship service in the South Pacific has not yet gone beyond the talk stage and the creation in Tokyo of Pacific Airways Co. Plan is to buy a zeppelin from Germany with Japanese funds now blocked in Germany. First plan of connecting Manchukuo with Japan may be ruled out because of unfavorable weather conditions, but a service to the South Sea Islands, where Japan has vast trade interests, may prove feasible.

It may be this rumor which has stirred the Dutch to a consideration of airship service between Holland and the Netherland East Indies. Dutch interests have made no definite move yet to establish the service, but both the Netherlands Royal Air Co. and the leading Dutch shipping lines are interested. Early estimates place the cost of air flight between Amsterdam and the Far East at about the same figure as first class passage on a steamer.

## Shirt Wrinkles

**Non-wilting collars spur shirt sales —perhaps patent suits.**

A MAN'S shirt with a wrinkle-proof or non-wilting attached collar is the latest achievement of the shirt makers. They have been trying to perfect something like it for years.

Earlier results were attached collars with heavy linings that felt like a clamp around the neck. Some makers offered collars that had celluloid inserts to help them hold their shape. Others just made them several layers thick and let the laundry take its course. Always when a man wanted to dress up he went back to the old reliable separate starched neckpiece.

The new shirts differ from all previous attempts at providing stiff-collar neatness plus soft-collar comfort.

The Trubenizing Process Corp. gets the announced results by setting a special interlining in the collar with a solvent applied under great heat and pressure; it licenses manufacturers to produce "permanently stiff collars" in that way.

The Celanese Corp. of America also has a process by which "fused starchless collars" can be produced, and important manufacturers have taken out Celanese licenses.

R. H. Macy & Co., leading exponent of private brand merchandising in the department store field, offers shirts with a new "non-wilt" collar, but does not say by which process they are produced.

Haberdashers and department store buyers are enthusiastic over the sales

possibilities of the new-type shirt, say that first announcements have brought unusual sales results. Laundry owners have not yet made up their minds whether it's going to mean more collar-attached laundering, fewer separate collars, or cut down the over-all use of laundering service, in which event the new type shirt may draw an extra charge for laundering.

Meanwhile insiders say that there are patent suits in prospect based on the contention that competing processes are more or less identical.

# Beer Clears Its Name

## Brewers put their house in order, stabilize markets, push on (via advertising) to better business.

HERE and there in newspapers and a few magazines throughout the country last month a healthy young man with a lusty seidel of beer to his lips made his bow in the advertising columns, sponsored in various sections by brewers of local repute. This month, the several brewers will present a second similar advertisement, two-thirds of it devoted to the photograph of a glass of beer and a loaf of bread, copy expounding the virtues of "a liquid food that nourishes quickly." Succeeding monthly advertisements will stress the value of beer as a sedative, a medically approved temperance beverage, an appetizer, an aid to digestion, a promoter of good fellowship, a benediction on family life.

### Rely on Gentle Coaching

Thus does the brewers' collective advertising campaign shape up for 1935. Its success depends entirely on voluntary participation. Perhaps when a sense of unity and organization is built up within the industry, the United States Brewers Association may be able to launch a genuine cooperative campaign, financed by assessments levied upon all members of the industry. But for the present U.S.B.A. must rely on the gently-coached cooperation of individual brewers in moving toward the objectives which it believes an industry-wide campaign might realize. These are: (1) increased consumption; (2) proof that beer can be sold without recourse to trouble-making types of advertising—ambitious therapeutic claims, competitive backbiting, rowdy boisterous copy; (3) creation of a sharp distinction in the public's mind (and legislators' eyes) between beer and hard liquor.

### Suggest Advertising Themes

Present plans, developed by Fred Millis, cooperative advertising specialist, approved by the 25 brewers attending the U.S.B.A. organization meeting last December, and executed by agents Kelly, Nason & Roosevelt, embrace the distribution of monthly advertisements for brewers to insert over their own logotypes and of monthly advisory bulletins, subtly suggesting appropriate themes, headlines, tactics.

In such fashion is the industry moving toward greater stabilization, improved marketing practices designed to clear the name of beer of any taint still lingering from pre-Prohibition days. Thus far, it has thankfully managed to avoid many misfortunes which have assailed liquor (*BW—Jan26'35*); hence it resents being policed by the federal and state regulations promulgated for gin and whisky.

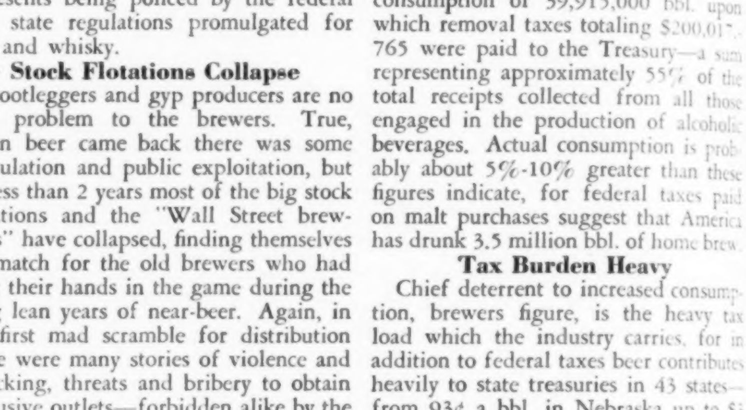
### Stock Flotations Collapse

Bootleggers and gyp producers are no real problem to the brewers. True, when beer came back there was some speculation and public exploitation, but in less than 2 years most of the big stock flotations and the "Wall Street breweries" have collapsed, finding themselves no match for the old brewers who had kept their hands in the game during the long lean years of near-beer. Again, in the first mad scramble for distribution there were many stories of violence and hijacking, threats and bribery to obtain exclusive outlets—forbidden alike by the brewers' code and the Federal Alcohol Control Administration. Lately, however, there has been respectable compliance with regulations limiting brewery gifts to such dealer helps as trays, table coasters, bar displays, and signs not exceeding 270 sq.in.—particularly since FACA showed it meant business and instituted suits against brewers accused of heaping more lavish attentions on distributors. (A fortnight ago a United States District Court in Louisiana returned indictments charging Anheuser-Busch with attempting to establish 17 exclusive outlets in the Lake Charles area.) Finally, there were some just charges of green beer and needled beer preferred against brewers in the early days, but competition has rapidly dictated the uniform production of a wholesome, bona fide beverage.

As a result of its comparatively blameless life, beer has prospered. Consumption at present averages 9.9 gallons per person per year. That figure, admittedly a poor comparison with the 21 gallons per capita average of pre-Prohibition days but one that has manifested considerable promise of growth, is computed on the basis of a total 1934 consumption of 39,915,000 bbl. upon which removal taxes totaling $200,017,765 were paid to the Treasury—a sum representing approximately 55% of the total receipts collected from all those engaged in the production of alcoholic beverages. Actual consumption is probably about 5%-10% greater than these figures indicate, for federal taxes paid on malt purchases suggest that America has drunk 3.5 million bbl. of home brew.

### Tax Burden Heavy

Chief deterrent to increased consumption, brewers figure, is the heavy tax load which the industry carries, for in addition to federal taxes beer contributes heavily to state treasuries in 43 states—from 93¢ a bbl. in Nebraska up to $3 a bbl. and 1¢ a bottle in North Carolina. (Georgia has banned beer outright. Kansas forbids the sale of "intoxicating liquor," but 3.2 beer is widely sold; there have been many prosecutions but no convictions. Exact requirements which brewers must meet in Alabama have not yet been determined, for a state




**STEEL MARCHES WEST—American Iron and Steel Institute calculations show that the steel industry's geographic center has moved steadily westward. Expansion in the Chicago and Pacific Coast regions has pulled steel's center (in ingot capacity) to Crawford County, Ohio, 350 miles west of the 1874 center. The population center has moved 190 miles west since 1870, to Green County, Indiana.**

referendum was just conducted there last week. Beer goes tax-free in 2 states —Maryland and Nevada—as well as the District of Columbia.) State and city license fees saddle the industry with many an additional million.

All of which doesn't make brewers any too happy over the recent 50% cut in the tariff on imported beers. It's not the actual reduction that worries them—they are still adequately protected against the unsubstantial threat of foreign competition—it's the principle of the thing that they object to. With lower taxes and the right to do an unrestricted business throughout the Union (13 states still limit beer sales to the 3.2 variety and 7 more specify other higher percentage limitations), brewers feel they could make real progress.

**Few National Beers**

Despite all the glowing prognostications of radical changes in beer distribution, the picture remains pretty much what it always was—75% draught, 25% bottle sales. Only a few of the Wisconsin and Missouri breweries have anything which could pass as national distribution; the rest have found it more profitable to concentrate, though practically all of them can boast some vanity-satisfying sales a thousand miles or more from the brewery.

The bulk of beer advertising appropriations, still averaging about 75¢ a bbl. and totaling for 1934 about $30 millions, is expended for dealer support—signs and displays. Less than $10 millions were invested in orthodox advertising mediums, and because beer is still preponderantly a local business most of this went to newspapers and outdoor boards.

**Number of Breweries Grows**

Some evidence that breweries have spread out a little beyond the city limits may be adduced from the fact that less than half the number which were doing business in 1914 are now supplying the country. In April, 1933, 252 were ready for business. Slowly but steadily that number grew every month until in July last year 695 were operating. In October, that number had dropped to 687: these figures compare with 1,400 in 1914, 1,700 the all-time high. Casualties are estimated by the U.S.B.A. at 10% and are comprised chiefly of small outfits ill prepared to resume business in the modern code-controlled era.

Pennsylvania still leads in number of breweries, closely followed by Wisconsin, New York, Illinois, and California. In production, however, New York leads with 17.9%. Ten states account for more than 80% of the country's output. The others are Pennsylvania (11.8%), Wisconsin (11.4%), Illinois (7.3%), Ohio (6.7%), Michigan (6.1%), Missouri (5.5%), California (5.3%), Minnesota (4.4%), New Jersey (4.1%).

# Dr. Eastman Prescribes—

## Another dose of coordination for the ailing railroads, regulation for their competitors, no consolidation now, government operation only as a last resort.

THERE are no big surprises in Transportation Coordinator Eastman's legislative report, but any document of 575 pages is impressive. The Coordinator sticks to his last. He rejects "grand" consolidation of the railroads, along the lines of the Prince plan, as neither desirable nor feasible and defers government ownership in favor of giving private management another chance under further extension of government control to include the railroads' competitors on highways and waterways.

It is rumored that, at the request of Senator Wheeler of Montana, Coordinator Eastman is preparing a bill for government ownership of the rails. His report itself outlines a method for government acquisition by interim rental pending final settlement and operation by a government-controlled corporation, directed by 5 public trustess. Eastman reiterates the belief, however, that under present abnormal conditions, government ownership would be "dangerous" and subscribes to collective action and coordination by the roads. But if this does not prove successful, either compulsory consolidation or government ownership will be inevitable and, says the Coordinator, "The probabilities lie with the latter."

### Complete in 9 Bills

Sent up by the ICC this week, the report includes 9 bills covering ICC regulation of water and highway carriers, reorganization of ICC, establishing a permanent Coordinator of Transportation, dismissal compensation for railroad employees displaced by coordination, revision of Sec. 77 of the Bankruptcy Act to expedite railroad reorganizations. They also call for amendment of the Interstate Commerce Act to (*a*) enable ICC to prescribe minimum as well as maximum joint rail-water rates, and to establish through rail routes regardless of the short-hauling of any carrier, (*b*) include ports and gateways under the protection of the present law against undue preference or prejudice of a "locality," (*c*) restore the long-and short haul clause substantially to its form prior to 1920, (*d*) limit further the shipper's right to reparation for damages arising from violation of the Interstate Commerce Act.

Mr. Eastman's document discloses that the ICC, complaisant on most of his other points, objects emphatically to his ideas on its reorganization, thinks it can do its own revamping. Evidently the commissioners share the resentment of numerous rail officials against the Coordinator's rise to power and publicity. It suggests that vesting the direction of railroad planning and research in a single individual outside the industry might result in a cooling of the carriers' interest in self-help, argues that the Association of American Railroads should be given a chance to show what it can do, that, if government participation or supervision is needed, this should be centered in one of the commission's own bureaus.

To expedite needed financial reorganizations of the railroads, Eastman would carry Sec. 77 of the Bankruptcy Act a long step further by waiving consent of two-thirds of a road's creditors if the courts find that the plan is fair and equitable.

# U.S. R.R.

## Moffat Road may be a good bet for the government, but it's hardly a good "measuring stick."

WHILE business and banking had their eyes focused on Tennessee Valley as testing ground for government operation of a public utility, Uncle Sam quietly mounted an engine cab in Colorado, seized the Denver & Salt Lake (Moffat) Railroad throttle and declared himself a railroader.

Business Week

JUDGE WILSON McCARTHY—The RFC elected him president of the Denver & Salt Lake Railroad.

The move was sudden and unprecedented. Denver & Salt Lake owns a lease on the famed Moffat railroad tunnel and trackage which provides the only direct route through the Rocky Mountains for transcontinental rail traffic. There was danger that its prosperous affairs might become entangled with those of its heavily-mortgaged parent, the Denver & Rio Grande Western. So RFC, creditor of the D. & R. G. W. to the tune of $10,763,150, registered 50,000 shares of Denver & Salt Lake common stock (which were pledged as collateral on the loan) in its own name. Having thereby established itself as owner with complete voting control, it elected Judge Wilson McCarthy, of Salt Lake City, Utah, president of the Moffat Road; A. A. Berle, Jr., member of the original brain trust, and George H. Burr, New York City broker, directors. William R. Freeman, displaced president, remains a member of the board.

Wisely unanswered by the judge, who is without railroading experience, were pertinent and impertinent questions of news-hungry reporters: Will Uncle Sam, as railroad owner, deal with labor as he did during wartime when private capital paid the bill? Will the government use Denver & Salt Lake to prove that a public-owned utility can operate at a profit? Will the Denver & Salt Lake continue to pay state and local taxes (amounting to about $116,000 last year)? Does RFC propose to dictate Denver & Rio Grande Western policies until the $10,763,150 loan is repaid? Is the Moffat road to be used as a "measuring stick"?

### Profit from Rent

If Uncle Sam chose the Moffat road to demonstrate government efficiency in railroading, he took an unfair advantage, transportation experts declare. The road can show a profit if it never turns a wheel, since the Denver & Rio Grande Western pays its subsidiary between $600,000 and $700,000 annually for trackage privileges through the Moffat Tunnel and beyond to Orestod, Colo.

Functioning in a strategic spot, Judge McCarthy is in a position to keep a weather eye on the D. & R. G. W. and foreclose if creditors other than the government make trouble. Owners of that road are Missouri Pacific and Western Pacific, which would become parties to any further move by government in the Colorado situation. Interrelationships of M.P. and W.P. with other transcontinental rail systems staggering under heavy RFC loans might easily develop a condition—observers point out—from which Uncle Sam could emerge with the railroads in his hip pocket.

# Book Battle

**Independent booksellers say results prove value of code.**

DEPARTMENT stores are asking NRA to cut price maintenance out of the book code on the ground that it has hurt sales. Independent retailers claim that the book trade, instead of falling off during 1934, staged a remarkable comeback; also that the cries of the big price-cutters are understandable since what happened was a shift from department stores back to the independents who have always tried to maintain prices. One New York book chain reports a 25% holiday increase over 1933. A large book store celebrated a 30% increase.

### Shifts in Buying

Independent inquiry furnishes many proofs that the publishing business revived during 1934. The Christmas impulse was generally felt in fiction, biography, etc. But shifts in buying tastes were manifest. Serious novels and biography were in heavy demand. Superheated sex was decidedly bearish. People bought books for their libraries. There was a surprising revival in fine editions. Demand held for good detective stories (Van Dine *et al*), was decidedly down for the cheaper bloodies and down also for westerns.

One surprise was the rage for the sentimentally English, "Good-bye, Mr. Chips." Principal reason: consistent plugging for the book by the rotund aesthete, Alexander Woollcott. *Publishers' Weekly* gives first place for the year's sales (176,000 copies) to the interminable "Anthony Adverse." The non-fiction top was Mr. Woollcott's own "While Rome Burns," with sales of 83,500. Some 25 fewer new books were published last year, but there was a title output of 8,198, or 100 more than the year before.

Practically all categories shared in the uplift. McGraw-Hill Book Co. reports a good recovery in sales. Technical and scientific volumes sold 22% above 1933 (which had registered some increase over the depths of 1932). College text books were up 10%. Foreign demand was much better, increasing slightly less than 50%. One factor was the cheapened dollar. Sales to Japan increased decidedly, being second to England.

### Tax Troubles

Demand for educational books in primary and high schools was somewhat better, but percentages did not equal those in other classifications. The reason is that here sales are geared to tax collections. For that reason the slump hit educational books last of all, and recovery will be slower.

Publishers generally hope that the above facts will induce the NRA to preserve price maintenance in the code.

Acme

**TRIPLE THREAT—Already upset by the operations of David E. Lilienthal (right) and his TVA, utility men are following with qualms Washington's maneuvers for strict federal utility regulation. Newest angle is the rivalry for the job of controlling the utilities which has arisen between the Federal Power Commission, whose chairman and vice-chairman are Frank McNinch (center) and Basil Manly (left), and the Federal Trade Commission.**

# Holding the Holding Companies

**FTC's device for utility control is punitive taxation, but FPC is still to be heard from; despite drastic recommendations final bill is likely to be more temperate.**

THE Federal Trade Commission's latest report on the utilities flashes over the heads of holding companies the weapon they most fear—the battle-ax of punitive taxation designed for their control, or destruction. Power people had expected that any recommendation of this kind would be put in a tentative form. FTC's report blazons its plan out in 6 specific taxing proposals which the commission believes to be "both comprehensive and effective."

The Federal Power Commission, whose recommendations are not expected to be any less drastic, will produce its plans in a report to the President next week. FTC and FPC are generally recognized in Washington as opposing candidates for the juicy job of regulating the utilities, and their recommendations are viewed as eloquent bids for that job. The Administration bill, if any, is not looked for until after the Power Commission report is in, but there are other bills in process which have as their object the elimination of the utility holding company forever. Final outcome is expected to be a bill giving the companies 5 years to redistribute assets and pay out so far as possible.

If the Federal Trade Commission has its way, the holding company will pay an annual tax "graduated sharply upward" on net income from operation of subsidiaries outside its own state. There will be an excise tax, likewise stepped upward as bigness grows more and more obvious. Also an annual tax on capital issues "in excess of actual prudent cost" —and for holding companies this would apply to the aggregate of all their issues in excess of their owned share in the fixed capital of subsidiaries. Also a tax on each transaction between corporations in which either corporation or its officers had more share than the other party

to the deal. Also tax on gross income of holding companies, again "graduated sharply upward." And, finally, an annual tax on unissued authorized capitalization of "any corporation."

This looks like a pretty stiff collection, though lawyers point out that the Supreme Court has ruled again and again that use of the taxing power by Congress for any other purpose than to raise revenue is unconstitutional, the child labor law having been thrown out on this ground.

To clamp down the controls, direct statutory prohibitions are recommended against licensing or permitting interstate transportation of electricity or gas produced by an operating utility "whose rates are based on an amount greater than that actually and prudently invested in the property." Use of the mails would be barred to securities of any holding company in excess of such prudent investment, and of any holding company without approval of the federal licensing agency. There would be a federal regulating body and some supervision over securities by the Securities and Exchange Commission. Federal incorporation is urged, but as a permissive measure.

Utility officials had anticipated severity from earlier sections of the report. But they are frankly nonplussed by the prospect of punitive taxation as the approved method of federal participation in plans to put their house in order.

## Prolong Coal Code

**Bill would extend bituminous price controls and labor benefits.**

THE bituminous coal industry has been promising itself that it would find a way to make permanent its NRA code, but action by the United Mine Workers of America, following the grim threat of their president, John L. Lewis, at the recent coal hearing, has been necessary to bring forth a congressional bill drafted to accomplish that end.

The new bill is an outgrowth of the Lewis bill which has been introduced in succeeding Congresses and which once was largely a club to force union recognition. Now the advantages to the industry, once held out as bait for union recognition, are written into the bill, along with collective bargaining.

As now drafted, the bill declares the coal mining industry a public utility, sets up a commission to run it, and authorizes that body to prescribe a code. Adherence is to be voluntary, but for those companies that comply with the code provision is made to remit (up to 99%) the 25% production tax which is assessed on "all coal." The bill provides for allocation of production among the fields and for the establishment of quotas for individual mines therein—a fetish of the miners who think they thus guarantee their jobs. The bill would permit fixing of minimum prices, based on the average production cost of the district, a device which by tending to weed out inefficient mines may counteract any undesirable results of the allocation program. The commission would also be empowered to approve maximum prices submitted by district boards. Producers who adhered to the code would be exempt from anti-trust laws.

The second title of the bill provides for taking marginal mines and coal regions out of production and setting up national bituminous coal reserves. This would be done by purchase, $300 millions being provided through a coal bond issue. A tax of 10¢ per ton would be assessed, 40% of the returns being used to retire the coal bonds and 60% to care for displaced miners.

## Stock Chart Maker

**New ticker auxiliary shows market average along with quotations.**

THE dabbler in Wall Street is satisfied with prices and sales of individual stocks. Above the market proletariat are analysts and economists, to whom such statistics are only raw material. In a rarefied atmosphere of pure science they philosophize on the larger trends and movements, they distil and analyze averages, they prepare charts and graphs.

The familiar ticker gives individual quotations that the little man in The Street can read as he runs to his banker. Until recently, averages of the analysts had to be worked out painfully by hand. The machine age has met this situation. Its latest triumph is an electro-mechanical chart maker.

The ticker's new companion is the Technigraph. It was evolved (after years of experiment and exhaustive research) to revolutionize "all previous conceptions of how best to appraise, interpret, and profit by the price and volume fluctuations of the market." The face of the Technigraph displays two charts on which electrically-controlled mechanisms record the fluctuation of averages. Stock quotations are received at a central station. New averages are automatically figured for every price change of one eighth point in 25 representative stocks. These are instantly transmitted over private wires and recorded on the Technigraph. The percentage of volume to average price change is progressively shown. Cost of the service in New York is $60 a month. The machine can chart an individual stock or a commodity.

Technigraph, Inc., is headed by John C. Allen, the inventor, who used to be a statistician and customer's man. Allan A. Ryan, Jr., is vice-president and treasurer.

# State Insurance

**Private companies rally opposition to state monopoly on workmen's compensation insurance.**

CREATION of a New York state monopoly of workmen's compensation insurance, a perennial issue for the state legislature, is close enough this time to have insurance people badly worried. Failing to head off the drive for conversion of the state's present competitive fund into an exclusive carrier of employers' risks by the usual methods of mass protests, petitions and argument at public hearings, the casualty companies, both stock and mutual, are now working on a counter-proposal.

This plan is expected to include creation by the companies of a guaranty fund to assure payments should any of them fail. Principal criticism against them is that 18 companies have failed in the last 6 years, leaving $2.6 millions of claims unsatisfied. The scheme may go further, provide settlement of claims against defunct companies, now cut to $1.7 millions by payments from liquidation proceeds.

Total compensation premiums in the state were $37.5 millions in 1933, probably 10% higher last year. Back in the days of heavy employment they ran $50 millions annually. Business is divided, roughly, $22.4 millions to stock companies, $8 millions to mutuals, $7 millions to the state fund.

**Eight States Have Monopolies**

Ohio and West Virginia are the only industrial states now on a monopoly basis; the other 5 are Western agricultural states. Insurance people claim that neither the Ohio nor West Virginia systems has worked. They point out that a recent investigation raised charges of inadequacy, inefficiency, even dishonesty, in operation of the Ohio fund, resulting in demands for complete reorganization, that West Virginia's plan is a makeshift one of questionable solvency.

New York state proponents of the change claim that $69 millions could have been saved employers over the last 6 years under a state insurance plan.

Writers of compensation say: Rates in New York barely cover expenses and losses, carry no load for profit; any overhead eliminated by monopolistic operations would be offset by political waste; any reduction in rates to insured would have to be made up by taxpayers; employers and employees would lose the valuable services of private companies in plant and equipment inspection, safety, accident prevention, etc.

Business interests supporting the opposition say a competitive state fund has value in keeping private companies in line and covering risks which they turn down, but a state monopoly is objectionable on principle.

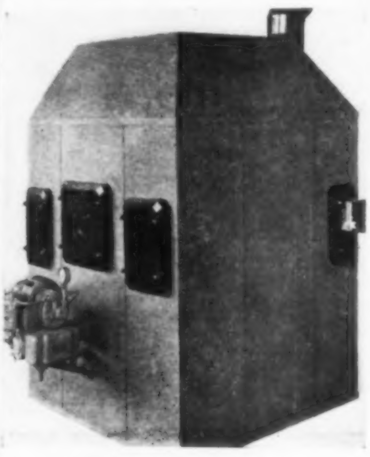
## New Products

**New things, new ideas, new designs, new packages, new manufacturing and marketing methods.**

E. I. DUPONT DE NEMOURS & CO. announces "Nitramon," a new patented non-freezing blasting material. Its special claim to industrial attention is that it is extremely safe for transportation and storage, cannot be detonated by the strongest commercial blasting cap, by flame, or even by the impact of a bullet. It will be marketed for use in quarries and in coal stripping operations.

BARNSDALL MINERAL BEESWAX, manufactured by the Barnsdall Oil Co., is offered as the first real substitute for natural beeswax; white in color, it has a melting point of 160°.

A NEW triple flour sifter which sifts flour 3 times in one operation is being manufactured by the Washburn Co.



A COMPLETE, automatically-controlled, oil-fired warm air heating plant with which can be combined a year-round air conditioning plant, is being placed on the market by the Heil Co. for replacement of existing equipment or where general air conditioning is desired.

TECHNICAL PRODUCTS CO. is now manufacturing a recently patented, quick-testing, acid-proof cement, which can be used like ordinary mortar, is said to harden in 36 hours and to resist water, oil, acid, heat, and many solvents.

SOCONY-VACUUM OIL CO., INC., offers a new marine fender, made of heavy seamless cotton tubing, filled with Kapok and weighted by a separate bag of sand, enclosed at the base to make it remain upright while partly submerged.

ARTESIAN ICE CO., Fort Madison, Ia., offers for rent to consumers refrigerated lockers for long-time storage of fresh foods bought at prevailing low prices.

# Travel Business Is Better

### Voyagers ask for longer cruises, better accommodations. West Coast and Alaska trips feature domestic travel.

MORE people are traveling. Hotels traditionally catering to the summer holiday business have suddenly decided they can also have a winter sports business. Popular response is universally good. Florida, on the other hand, finds that the lure of sunshine and bathing is greater even than last year, though unseasonal frost frightened some early arrivals.

The cruise business is booming. Where only 5,600 persons felt they could cruise away the year-end in 1933, the same number of pleasure boats carried 8,670 sunshine seekers out of Atlantic ports in the holiday period between Dec. 19 and 29 in 1934.

**Confidence Inspires Travel**

More people are traveling this winter, not so much because they have more money but because they are not afraid that their business will collapse while they are away. That's the opinion of the travel world, hopefully checking early spring demand. People no longer demand "nothing over 4 days." Depression-weary Easterners still flock to Bermuda or Havana on the short cruises, but the old guard are once more asking for "two months in the Mediterranean," or for one of the novelty cruises to Africa or the South Pacific.

The *Empress of Britain* was booked solid for her world cruise, and the American Express Co. reported 7 round-the-world events out of Atlantic ports for January alone. An additional 10 vessels sailed for the Mediterranean in January, 13 for the Caribbean-Panama Canal region Pacific ports report similar increase in demand for special cruises.

**First-Class in Demand**

Surprising even to the travel world is the unusual demand for first-class accommodations. Evidently the people whose business couldn't be neglected for more than a few days at a time last year feel that now they can take a deserved rest. They are planning to travel as they live, and the first-class quarters of many a big liner are filling up faster than the recently popular "tourist." This is almost as true on the cruises to the West Indies as for the longer voyages to more distant waters.

Executives in the travel business are sanguine about spring and summer travel volume. Next travel peak comes in February when the two national holidays encourage travelers to break away from snowbound cities. Bookings are already heavy for the pre-Easter Bermuda cruises. Shriners will frolic late this month on the 14-day cruise of the *Georgic*. Rotarians have already decided to cruise to Mexico in June. National Tours is having no difficulty booking for the 19 tours on the *Statendam, Rotterdam,* and *Volendam*—always popular boats but until recently best known in the North Atlantic service. And last Saturday, flag raising ceremonies on the specially-built *Belgenland,* now converted into the *Columbia,* prepared her for a series of southern cruises for the Panama Pacific Line.

The American Express Co., reviewing nomad happenings in 1934, pointed out that travel has grown to more than a \$5-billion industry in the United States, and is edging into the country's second major classification in expenditures.

Washington supplies the information to indicate what portion of the business is foreign. In 1934, nearly 140,000 Americans traveled abroad. This figure is based on passports issued and therefore does not cover the vast throngs who made cruises touching at neighboring ports where passport requirements have been waived in the effort to cultivate the tourist business.

**Most Travelers Men**

Of the 140,000 traveling abroad, the majority were men, and they were traveling abroad on family affairs or for sightseeing. More than 36,000 were New Yorkers. California, Illinois, Massachusetts, New Jersey, and Pennsylvania furnished the next largest numbers.

Among those who traveled at home, crowds bound for the West Coast were twice as large as in 1933, while the Rocky Mountain districts drew 68% more sightseers. Agents attribute this to the bargains offered by the various transportation lines as a part of "national parks year." Apparently the West Coast was only a teaser for many, for Alaska reported the heaviest influx of tourists in its history.

International News

FAIR GROUNDS—Nucleus of the big California Pacific International Exposition, to be held in San Diego's 1400-acre Balboa Park, May 22 to Nov. 11, 1935, will be these permanent show buildings, augmented by temporary structures. Twenty-three foreign countries as well as many large American corporations will be represented among the exhibitors. Backers expect 5 to 10 million visitors.

# Follow-Ups

### When the news broke, *Business Week* told the story. Later developments add these postscripts.

RESIDENTS of Jackson, Miss., called to vote on a municipal power plant that would hook up with TVA, take over the functions of the Mississippi Power & Light Co. (*BW—Jan12'35*), decided last week to stick with the private utility, on the strength of a pre-election promise of rate cuts retroactive to Christmas. Mississippi Power & Light is included in Harvey Couch's program for increasing current use and lowering current rates.

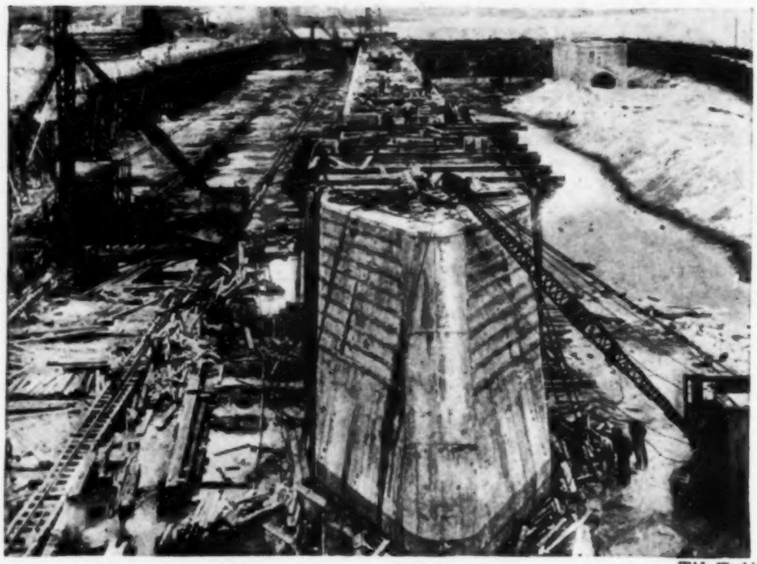
THE Treasury Department has amended its regulations, requiring that names and symbols be blown in all liquor containers (*BW—Jun30'34;Jan12'35*) to permit distillers, rectifiers, and wholesalers to use up the supply of old bottles now on

hand, provided that such containers were manufactured prior to July 13, 1934. This exemption from the Treasury regulations, which went into effect Jan. 1, can be obtained only by members of the industry who secure permits from district supervisors; all permits expire Mar. 15 when the regulations become fully binding. Distillers claimed that full enforcement at present would mean the loss of containers valued at $3.5 millions.

THE Haverstraw Industrial Terminal (*BW—Dec1'34*) was created by Haverstraw, N. Y., business interests out of a large abandoned textile plant. Space was divided and sold to small outside companies as a means of combating local unemployment. To date 8 concerns, employing 250 persons, have leased 45% of the floor area. Most are in the textile or garment industries. They came from New Jersey and New York City. A. F. of L. pickets patrol adjacent sidewalks; it is alleged that one of the companies came to Haverstraw to evade a labor contract. Wages are admittedly lower than in New York, but code compliance by tenants is insisted on. Labor folk point out that the Haverstraw experiment merely shifts employment from one place to another without increasing its total. Principal trouble of the terminal management is finding sufficient capital to renovate the old plant for new prospects.

NEED of greater safety guards on American ships was tragically dramatized by the *Morro Castle* (*BW—Oct27'34*) and *Mohawk* disasters. Stringent bills have been drafted by the Department of Commerce for early submission to Congress. One bill would vest full control of plans for new ships and for modernizing old ones in the Bureau of Marine Inspection and Navigation which investigated the *Morro Castle* fire. Mandatory use of fireproof materials is proposed. Another bill is aimed at overloading. An act of 1929 fixed load limits for trans-ocean traffic but left domestic and coastwise vessels free. The proposed legislation would bring 1,000 ships in the last classifications under regulation. Enactment of the bill would call for the building of about 50 new tankers costing $100 millions, which would stimulate shipyards and other industries. Thorough Senate investigation of the *Mohawk* tragedy has also been indicated.

RULING that the National Biscuit Co. had no trademark right in the words "shredded wheat" or in the form of those biscuits, Federal Judge John P. Nields in the District Court of Delaware last week upheld the Kellogg Co. in the suit brought by the National Biscuit Co. on a charge of unfair competition 3 years ago (*BW—Aug17'32*). When the National Biscuit Co.'s original patents ex-



Wide World

**AIDING RIVER NAVIGATION—Lock No. 7, one of 27 being built in connection with river level control dams to help commercial shipping on the upper Mississippi. The government is spending about $94 millions on this project to raise the river's navigation depth from 6 ft. to 9 ft. between St. Louis and the Twin Cities.**

pired, Kellogg put a new cereal on the market, called "Kellogg's Whole Wheat Biscuits," similar in all respects except size to the original Shredded Wheat product. Kellogg went even further, referred to its cereal as "shredded wheat" on the container.

AMERICAN firms doing business in France are no longer subject to a double tax: on their operations as a French business, plus a tax on a portion of the estimated profits of the parent company which were considered to have been earned in France (*BW—May11'32*). The questionable second tax is removed in a treaty recently ratified by France.

MATCHING the National Broadcasting Company's rate increases (*BW—Jan12'35*) and similarly claiming that such increases are justified by a reduction in the real costs of broadcasting averaging more than 26% during the past 5 years, the Columbia Broadcasting System last week announced that, effective Feb. 23, charges for its 22-station basic network will be upped 20%; for its entire 97-station network, approximately 3.1%, some station rates having been reduced.

# G-E's Electric Home

**Architects compete on 4 types; plans will take form in demonstration houses.**

WITH an eye to stimulating interest in electrically equipped homes and widening the market for appliances, the General Electric Co. is promoting a nationwide architectural competition. Entrants will plan 4 houses, for $21,000 in cash awards ranging from 2 grand prizes of $2,500 each down to honorable mentions at $100 each. Hundreds of replies, from every state in the union, have come in since the first announcement early last month. The closing date is Mar. 12; winners will be made known on Mar. 23.

The idea of G-E in encouraging electrically equipped buildings is obvious. But there are helpful ramifications that do not appear on the surface. Each architect competing is sent a reference file. In it are booklets (many prepared for the event) which give full particulars for measurement and installation of household electric items which G-E manufactures. This file will remain in the offices as a valuable aid in future home designs. Also, it constitutes a builder of good-will among a class of technicians whose word is important in specifications for motors, elevators, air conditioners, and such in large structures.

**Ties in with FHA Drive**

This is said to be the first important contest in which home interior has been stressed. It it timed to take effect with the expected rise in home building which the Federal Housing Administration encourages through making easier loans for such purposes. A number of demonstration houses will be built from winning plans in important cities. A large program of such sample homes is a possibility. Makers of building materials may cooperate.

Architects entering the competition must prepare plans for a mythical family significantly called Bliss. There are two types each for Northern and Southern climates. The first calls for a small home including garage of 20,000 cubic feet, to be inhabited by a 3-person family with no all-time servant except electrical equipment. The other is a 35,000 cubic foot home with a 2-car garage for a 4-person family and a maid.

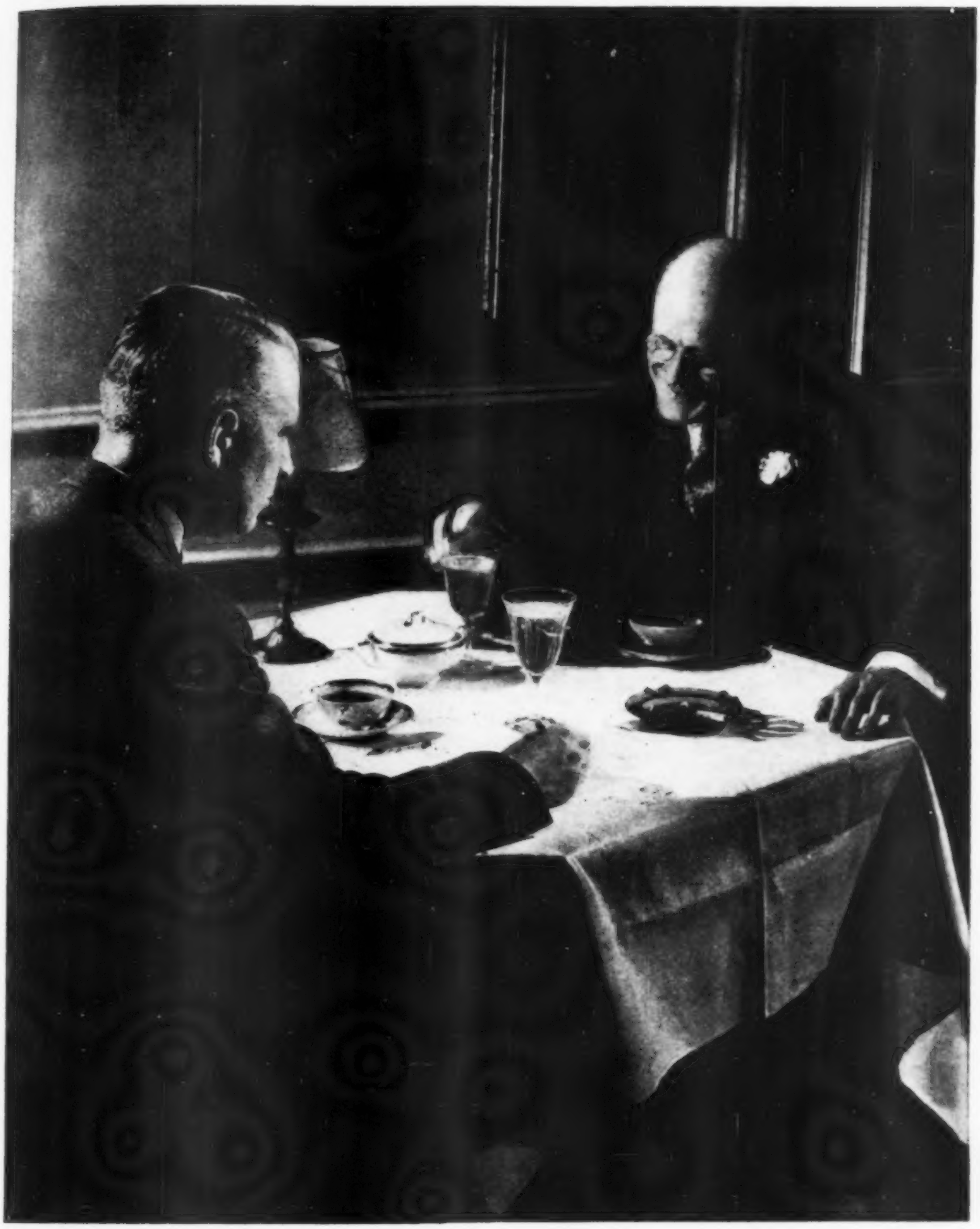
# Broadcasts Abroad

**International chain circumvents British and French bans on radio advertising, sells time to advertisers (including Americans) on foreign stations.**

ADVERTISING is banned in the French and British government radio broadcasts, but the public considers this no boon, for if commercial announcements are annoying, monotonous programs are worse. Private companies have come to the rescue, are giving the European public some of the popular stars and light programs they want and offering advertisers a tremendous audience.

In Great Britain, all broadcasting is controlled by the government-operated British Broadcasting Corp., and few control boards have ever done a more thorough job of self censorship. No advertising is allowed; programs run to the classical, feature educational lectures and lots of chamber music. Income is derived from an annual license tax on radio sets amounting, roughly, to $2.50, about half of which never gets beyond the British Treasury. With the balance, and with a strong feeling of responsibility to every kind of taste, the B.B.C. has had a tough time pleasing anyone. With jazz music banned, Sunday programs have been especially somber.

The *New Yorker* recently delved into the question of fees paid for radio talent in Great Britain, discovered that Wells and Shaw are the highest paid speakers, receive $500 for each talk; that Paul Robeson, for singing, gets about $750. In palmier days, Chaliapin is said to have received $5,000, Tetrazzini, $15,000. "At the present the scale of rewards to radio stars here bears no relation whatever to that in America. The B.B.C. . . . not long ago broadcast a musical comedy which occupied the better part of an evening. For this it offered the startling sum of $60." But it appears now that competition from Continental stations has reintroduced



In the Continental Room, Hotel Stevens, Chicago.
Photographed by Underwood & Underwood.

*"Looks like government pressure on holding companies will help us consulting engineers.* Business Week *says it will send local utilities into the open market for engineering service."*

*"I noticed that, too. We're changing our sales set-up to do a better job of covering the engineers this year."*

into England the principle of free competition, and the B.B.C. is definitely viewing it with alarm.

The French are more liberal. Of the 27 broadcasting stations in the country, all but about a half dozen are controlled by the government. Recently government stations were prohibited from broadcasting any advertising. Their programs, it is claimed, now have many of the virtues of the British programs, and the one deadly vice—monotony. Among the "free" stations in France is the big "Poste Parisien," operated by the *Petit Parisien,* largest circulating newspaper in Continental Europe. Since the government ban, "Poste Parisien" and other private stations have had a great increase in business.

### Short-Circuit British Law

To get around the British advertising ban, International Broadcasting Co. was formed in London nearly 5 years ago. A broadcasting station, Radio Normandy, was established across the Channel in France, from which programs could be heard as clearly in Britain as from the 20 domestic stations. I.B.C. operates like American radio chains, sells time to advertisers. The plan works; I.B.C. broadcasts from 10 Continental stations now, including Poste Parisien, Radio Luxembourg, and EAQ, Madrid. Listeners in the Isles on Sunday are claimed to be more numerous than those tuning in on government broadcasts. British newspapers still refuse to announce the I.B.C. programs, so the organization publishes its own weekly program sheets, sells them through radio dealers because the newspapers refuse to allow newsstands to handle them. Only *Radio Pictorial* (with a circulation of 200,000) has broken away from the crowd and is running complete lists of weekly broadcasts, accepting advertising in which special broadcasts are listed.

### Use English Transcriptions

Because the British Post Office, which controls the telegraph lines, refuses to transmit advertising over its wires, no I.B.C. programs emanate direct from London studios; many, however, are recorded there and the disks are mailed to Continental stations. I.B.C. advertising rates range from $50 to $500 for 15 minutes, depending on time, day, and number of stations used.

The increasing number of Americans who are buying time abroad has led I.B.C. to establish a subsidiary in Radio City, New York, known as Imperial Broadcasting Co. Americans who have sponsored programs recently include Philco, Musterole, Cystex, RKO, Kissproof, Outdoor Girl, Colgate-Palmolive Peet, and Kraft. British advertisers over the same network include Strang's Football Pools, Ballito (Pure Silk Stockings), the Hungarian Travel Bureau, and the Irish Hospitals Sweepstakes.

# Germany's Debts

## Creditors meet in Berlin to renew or revise "standstill" agreement. Plans revolve around exports. The debt has been reduced, but the outlook is not promising.

BERLIN (*Special Correspondence*)—Germany defaulted on her foreign obligations in 1931. Two groups of creditors were affected: those who had made long-term loans to the Germans, and those who had advanced funds on a short-term basis. As in most countries, these short-term funds were used for the financing of current business, particularly the export trade.

In consultation with creditors, Germany agreed on a plan to pay what she could on these defaulted obligations. Short-term funds received the more favorable treatment, were quickly reduced to a scheme renewable each year, in February. Creditors are in Berlin now to renew or revise this "standstill" agreement.

### Devaluation Trims Debt

When the first default came in July, 1931, Germany owed 6.3 billion marks (about $2\frac{1}{2}$ billions). When the agreement was renewed last February, this total had fallen (partly through the devaluation of the dollar and partly through payments against principal) to 2.6 billion marks (about $1 billion). During the year, tourist expenditures in Germany are thought to have balanced off another $300 millions. Interest payments on these loans, which have been carefully maintained and cleared regularly, now absorb little more than 100 million marks a year (less than $40 millions).

Germans and Americans alike expect the "standstill" agreement to be extended with little or no change. Germans may ask for, and receive, some reduction in interest rates but they are not likely to jeopardize the use of these funds by being too insistent. Americans have the largest stake involved, but British, Dutch, and Swiss bankers are also important creditors.

### Foreign Trade Is Involved

Significance of the improvement in the credit position of Germany goes beyond the mere liquidation of the debts. The sooner the short-term obligations are manageable in a normal way, the sooner will Germany be able to tackle the long-term debts, now largely in default. Exporters go one step further and point out that the smaller the amount of foreign exchange necessary in Germany to meet these debts, the more foreign exchange will be available for imports.

Realists, no matter what their attitude toward the present government in Germany and the "autarchy" schemes of the shrewd Dr. Schacht, know that international trade will be a long time in getting back to normal if so important a customer as Germany remains out of the market. Last year's foreign trade trend was decidedly unfavorable. While imports were carefully controlled, exports fell off so badly that the favorable balance which Germany has succeeded in maintaining for nearly 5 years turned into an unfavorable balance. In 1933, Germany's income from exports was 669 million marks greater than the expenditures on imports; this total was boosted to 900 millions by income from shipping. But Berlin was forced to dip into an already tiny gold reserve to make payments of nearly 1 billion marks on foreign obligations, in addition to interest payments of 849 millions.

The situation in 1934 was not nearly so good. Instead of the active trade balance, there was a deficit of 240 million marks. Receipts from tourist traffic in terms of foreign exchange are negligible because the marks used were credited against outstanding short-term obligations. Receipts from the merchant marine have dwindled further because an increasing part of the freight is being paid by German shippers in marks.

### Total Payments Uncertain

To determine the total amount of interest paid by Germany in 1934 is difficult. During the first half of the year, while Berlin was still paying roughly 75% of the amounts due to "nonprivileged" creditors (including the United States) and 100% to the privileged (Holland and Switzerland), the amount required was roughly 250 million marks. During the second half of the year when interest payments to Germany's largest creditor—the United States—had virtually stopped, Germany still paid to European creditors under the various agreements an amount which lies somewhere between 150 and 170 million marks, making a total of 400 millions for the year.

To maintain this restricted servicing, Germany had to sacrifice the remnants of her gold and foreign exchange reserve which shrank from 395 to 84 million marks. Nevertheless, the passive trade balance at the end of the year led to an accumulation of overdue commercial debts which must have amounted to something like 400 million marks. It is to remedy this situation that Germany is struggling desperately now to increase exports, either directly or by barter.

# Business Abroad

**Trade treaties make slow progress. France votes credit inflation, considers employment subsidy and drastic company regulation. Canadian provinces divide on government utility ownership, but agree on regulation.**

TRADE treaties are at last making some progress. Ireland, after coming to terms with Britain, has completed a pact with Germany which will help to stabilize Irish business, gives Germany full knowledge of exactly what can be expected in the way of a market in the Free State. The Brazil–United States agreement is too new to be fully appraised but undoubtedly is of first importance because of the volume of trade involved and because Washington has implied that it will serve as a sample of what the Roosevelt administration means by reciprocal bargaining (page 7).

**Other Treaties Coming**

Treaties with Colombia, Haiti, Sweden, Spain, Belgium and Canada will follow. Washington has quite suddenly turned optimistic on the prospects, evidently expects some rapid-fire action in the next few months.

Washington has resumed consideration of the old Russian debt, with, supposedly, new proposals from Ambassador Troyanovsky, who has just returned from Moscow. There is talk of a Soviet loan with an exaggerated interest rate which would quietly cover amortization of old obligations without formal acknowledgement. The better informed in both Washington and New York are not hopeful of the outcome unless one side or the other has some concession up its sleeve which it has not yet admitted that it will make.

European markets and exchanges were unsettled this week because of the uncertainty over the Supreme Court decision on the gold clause, the usual pre-campaign nervousness which is developing in Britain, and the feeling in France that effective opposition to the government is mounting. The Far East was unsettled by the advance of Japanese troops into Chinese territory.

Indicative of Italy's increasing control over all foreign trade were the decrees this week completely prohibiting further importations of wheat, wheat flour, fresh and chilled meats, silk garments, special steels, and radio tubes.

## France

**Credit expansion voted; unemployment relief plan proposed; new companies' act will control business more carefully.**

PARIS (*Wireless*)—Of the mass of legislation likely to come out of the Flandin program for business recovery in France, the first important bill passed the Chamber of Deputies last week. The government is given the authority now to expand the short-term Treasury bill issue of the government from 10 to 15 billion francs (*BW—Jan12'35*). The Bank of France, under the management of a friend of the Flandin government, will rediscount these bills, thus making available to commercial banks vast quantities of liquid funds. France expects business to benefit. It should be recalled that Washington attempted to aid American business by forcing credit inflation through open market operations by the Federal Reserve banks.

**Subsidy to Employers**

Next to be presented to Parliament is a bill limiting working hours, prohibiting all civil service employees from occupying two jobs at one time, and putting an end to overtime work. This much of the legislation is similar to moves taken in the United States. Flandin turned to Germany and Britain for his precedent in two other moves, the first of which would pay to all employers who take on new men a state subsidy equal to the dole the state would pay to the unemployment fund for these men; the second would raise the compulsory school limit from 12 to 14 years.

The government is planning closer control of business much as is being done in Britain, Canada, and the United States. Among the features of a new "company bill" is the provision for the creation of a Board of Management to supplement the Board of Directors in every company. These managers, 3 or 5 of them, will be jointly and severally responsible in all cases of mismanagement. Directors will be liable unless they have opposed a decision and put this opposition in writing. Annual balance sheets must be made available for examination by all shareholders, two weeks before meetings. Holdings of more than 10% in another company must be recorded. Auditors will be appointed for three years by the annual meeting and liable for damage if their report states incorrect facts and if they do not record in detail the various businesses in which each of the directors is individually interested outside the company.

**Special Investigators for Business**

It should also be noted that the Tribunal de Commerce (which is not composed of professional magistrates but of heads of industries and trades who are appointed to judge all litigation concerning trade) may be requested either by the Public Prosecutor or by shareholders representing at least 4% of the capital of the company to institute a secret examination of the books and papers of the company to find out whether the management and operation has been properly run.

While all of these reform and readjustment measures are being considered by Parliament, French business is confronted with numerous worrisome signs of retrogression. Registered unemployment has reached half a million. This is serious, for this figure is little more than an index of the total number of jobless

*Wide World*

**THREE-WHEEL AUTOMOBILE—High retail prices of gasoline and the European custom of taxing cars on a horsepower basis are largely responsible for the preponderance of small-sized machines on the Continent. Latest bid for the business of purse-conscious motorists in Italy is this tiny two-passenger car.**

workers in the country. Then there is the uncertainty arising from the gold clause decision in the United States, from the international political dickerings which are continuing on a large scale, and from the growing opposition to the recovery measures of the Flandin government.

The seriousness of the situation is being dramatized for the man in the street by the troubles in which Galeries Lafayette, one of the great Paris department stores, finds itself. Overexpansion and an unfortunate deal by the management have brought the situation to the public eye. Obligations are not being met promptly, causing rumors that the firm's bankers may be embarrassed.

Creditors are supporting plans for the reorganization of Citroën, but there is still no date set for resuming normal operations. This is causing hardship for workers both in the automobile plants and in related industries working almost wholly to supply Citroën.

## Great Britain

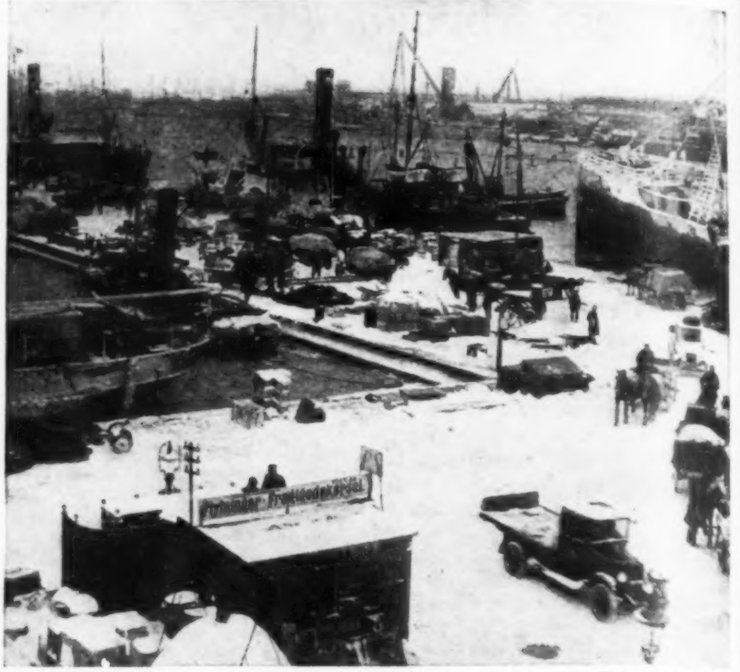
### General election now expected in October. Comprehensive 5-year plan for road development.

LONDON (*Cable*)—Despite government assurances to the contrary, political leaders are making preparations for an election in October. With new evidence every day of greater Labor strength, business is beginning to get nervous. Labor, it should be remembered, has promised, among other legislation, immediate nationalization of the banks. Lloyd George's program, after a week's consideration, has been generally dubbed "the Nothing New Deal."

Commodity markets were disturbed by the financial difficulties which swamped the Strauss Co., one of the largest firms in the financial district. Rumors of the impending trouble unsettled the market early in the week. Crisis came on Wednesday when it was revealed that important Indian banks with which the company carried on huge deals in peanuts had demanded a receivership. Business on the Baltic Exchange was disrupted.

**5-Year Road Plan**

London has had a good deal of amusement from the various schemes of Mr. Hore-Belisha to control traffic, reduce street sounds, make more efficient safety regulations. Only a few weeks ago he introduced Eddie Cantor to British radio audiences over the B. B. C. network (page 30) in a humorous skit on road safety. Now he has announced a really comprehensive scheme of road development which is to extend over a 5-year period. Financing will come from the government. Aims of the scheme are elimination of weak bridges, or railways that impede the flow of traffic, provision for supplementary roads for cyclists and pedestrians, and removal of blind corners and dangerous crossings. With plans for slum clearance it will give Britain another public works project designed to absorb the unemployed.



*Underwood & Underwood*

**TRADE SHUFFLE—Copenhagen's importance as a key port for handling goods to and from Baltic countries is steadily increasing. Since German foreign exchange restrictions have cost Hamburg much of its vast trade as a redistribution center for northern and central Europe, Copenhagen and Rotterdam have attracted this business. The Danish port is active, even in winter.**

## Germany

### Vast conversion reduces mortgage interest to 4½%. New government loan expected. Heavy industries make big gains.

BERLIN (*Wireless*)—For 18 months Nazi officials have been preparing the German market for vast conversion schemes. Interest rates in Germany have remained well above levels in most other great commercial countries. Last week, the government foisted bonds worth 500 million marks on the savings banks of the country. Issued at 98½, and carrying interest at 4½%, the bonds are amortizable in 28 years. Instead of using these new funds for consolidating the floating debt, the government has announced that they will be absorbed in new recovery projects.

Really vast is the project announced this week for the conversion of more than $3 billions of mortgage bonds from the prevailing 6% level to 4½%. Interest savings will total nearly $50 millions a year which the government expects will flow into new or expanding business projects.

While the conversion is claimed to be voluntary, bonds must be presented for conversion within 5 days (40 days for holders outside Germany, including the United States). Those who convert will receive a bonus of 2%. And those who refuse to convert will find it difficult to dispose of their bonds for there will no longer be a free market for the old bonds. No cash payments are offered (as was done by both the British and the French in their big conversion operations).

Further financing projects are in the air. A great public loan of 1 billion marks (about $400 millions) is likely to be floated in the next few weeks. It is rumored in Berlin now that this will be used for social insurance. Bonds will be in small denominations for the sake of the "little man."

Adoption of an open market policy by the Reichsbank, promulgation of a law ordering companies to invest surplus dividends in public bonds, reorganization of the stock exchanges, the new Bank Act giving the Bank Control Board dictatorial powers in directing the banks' investment policy—all these measures are thought to have prepared the way for the program the government is now undertaking.

**Heavy Industries Boom**

Other business in Germany is beginning to reflect encouragingly the efforts of the Nazi government to revive industry and trade. Heavy industries, main beneficiaries of Hitler's work-creating schemes, and the automobile industry, spurred by tax exemptions, top the list of industrial gains for 1934.

Pig iron output increased nearly 67% in 1934, from 5.27 to 8.74 million tons. Compared with 1932 production, this is a gain of 123%. Steel ingot production advanced 55.7% in 1934, and was 108% above the 1932 figure. Production last year exceeded 11 million tons.

Automobile gains are almost as spectacular. Passenger car registrations advanced 59% in 1934, from 82,048 to

130,938. Compared with the last pre-Hitler year, 1932, sales were more than trebled. Truck registrations increased from 11,573 in 1933 to 23,509 in 1934.

It is significant that in 1934, both the General Motors-controlled Opel Works and Ford show greater gains than their 100% German competitors. Opel increased its share of total passenger car sales from 34.8% in 1933 to 40.2% in 1934. Respective figures for the Cologne Ford plant were 4.9% and 5.1%. Opel went after the winter trade with specially reduced "winter prices" for cars ordered in the slack winter months, October-January.

## Canada

**Quebec decides against public ownership of utilities, but creates control board. Power for farms.**

OTTAWA—The Province of Quebec, citadel of private ownership of public services, will not go in for nationalization of electric power but will bring the power companies under more rigid public control. This recommendation has been made to the provincial government by the commission appointed some time ago to study the situation and make suggestions.

Recommendations of the commission include: creation of a permanent power control board with authority to require the maintenance of satisfactory electrical services in the province; the right of this board to exercise control over the issuing of capital stock by private companies, and of the rates charged by them; access by this board at all times to the accounts and books of the companies; no further alienation of power resources from the public domain without the approval of the board; further provision for municipal power services; encouragement of rural electrification, under subsidy when necessary; organization of operative associations for the distribution of power, the control board fixing the rates at which producing companies would be compelled to supply power to distributors.

### Rural Power Lines

Meanwhile, the Hydro Electric Commission of Ontario is accelerating the establishment of rural power service lines. Such lines are now being constructed two or three times as fast as at any time in recent years. The commission estimates that by the end of October, 474 miles of additional rural lines will have rebuilt, in contrast with only 180 miles in the previous fiscal year. The system now has about 9,400 miles of rural lines serving about 64,000 customers. Nearly half the cost of construction was paid by the province.

The newsprint price war has ended in a victory for the users. Montreal reported this week that the $2.50 a ton increase in price for the first half of 1935 and the $5 increase for the last half had been definitely abandoned in favor of the $40 figure which held last year. St. Lawrence Paper Mills contracted for sale in the United States at the old price, refused to support the new level, and brought other dealers in line.

## Latin America

**Brazil treaty completed; revolt in Uruguay not taken seriously; reforms for Cuba proposed.**

BRAZIL, Uruguay, and Cuba held the limelight in Latin America this week.

The Brazil-United States trade treaty—long expected as a sample of Hull-Roosevelt bargaining methods (page 7)—is a strictly reciprocal trade arrangement carrying the most-favored-nation clause. Brazil agrees to lower duties on American automobiles and radios 20%. The United States, in return, will take more miscellaneous products from Brazil following a tariff reduction of 50%. All-important arrangements for the settlement of outstanding commercial and debt obligations are not yet revealed. Washington implies that the foreign exchange problem will be settled before the Brazilian mission leaves for Europe next week. Wall Street is still skeptical that some plan for settlement can be reached so soon. And bankers are quite gloomy over the prospect for resumption of payments on the defaulted Brazilian bonds. It is admitted that any revival of export trade in Brazil should help the Brazilians to meet their interest payments, but bondholders are reluctant to abandon even temporarily the scheme agreed upon last year whereby a fixed portion of the interest was remitted regularly.

### Uruguay Protests Dictatorship

Uruguay's revolution is accepted more or less calmly in business circles. It is the struggle of an ousted opposition to the dictatorship of the man in power. It was during his first term in office that President Gabriel Terra overthrew the old constitution, thereby abolishing the commission form of government under which a council of nine elected members shared administrative powers with the President. Since that overthrow in March, 1933, the opposition has carried on an aggressive campaign to undermine the dictator. Last week, they marched against loyal troops in various parts of the country. Information from usually reliable sources declares that Terra has the situation under control.

The Foreign Policy Association announced during the week the results of a study made by its Commission on Cuban Affairs. Though there is no sign that the present Cuban government has either the will or the power to carry out these recommendations, they are being studied with interest by those who have followed the Cuban situation and who believe that out of the present unrest will come something new and more stable in the way of economic and social responsibility. Outstanding recommendations of the commission are: (1) development of subsistence homesteads for workers employed only part of the time; (2) development of agricultural diversification by establishment of agricultural colonies, promotion of agricultural research and education, creation of a marketing organization under government auspices, and adoption of a scientific tariff policy; (3) enactment of legislation requiring each sugar central to set aside land on which its workers may produce food, and to appoint a full-time manager to develop food production; (4) imposition of a tax on unused land for the purpose of encouraging the development of millions of acres of uncultivated areas in private hands; (5) establishment of an Agricultural Bank to encourage diversification and local cooperative associations; (6) establishment of a Public Utilities Commission to have jurisdiction over power, telephones, railways, highways.

## Far East

**Japan pushes further in China; Russian interests involved. New aluminum industry in Japan.**

NOTHING in the Far East created more of a stir this week than the newest move of Japan to extend the frontiers of Manchukuo. In a territory occupied by more or less nomadic Mongols, provincial boundaries have never been well defined. After taking Manchuria proper in 1931 and 1932, Japan pushed further west into Jehol, a natural geographic part of Manchukuo. To push on now into Chahar and possibly Suiyuan is less logical from the physical point of view, though not psychologically.

Russia already dominates Outer Mongolia, the vast territory to the north and west of the region into which Japan is now pushing. At best, China's hold has been tenuous. It is only comparatively recently that the Chinese have attempted to push migration in the direction of Suiyuan by building a rail line and developing irrigation projects. But through the region strings the caravan trail over which for centuries the inhabitants of the northwest have sent their goods to Peiping, the great natural marketing center. Japan evidently feels that too much Soviet propaganda has been coming over this route along with merchandise. Japanese control of Manchukuo would be vastly weakened if Russia were to hold or to be in strong alliance with North China. It would leave Manchukuo in the jaws of the dragon, and Manchukuo is vitally important to Japan now as a buffer state between the tiny island empire and Russia.

### China Trade Undisturbed

Comparatively little trade has been disrupted by the new move. It has been more or less expected. But future developments depend on the final disposition of the problem.

In Japan, there is considerable interest in the new aluminum industry being developed in Formosa. A large hydro electric plant has just been completed and it is planned now to import bauxite from the Netherlands East Indies. Surplus power will be used in expanding the mining and sugar industries. Americans noted that more than half the cost of the new hydro project came from an American loan from Morgan & Co.

# Money and the Markets

## Financial markets sit tight and hold on for gold clause decision. Exchange responds to government stabilization. Bond talk is about new issues. Stocks mark time. Commodity prospects seem underestimated.

THE financial world hopes the suspense over gold contracts will be ended Monday when the Supreme Court reconvenes, but its horns have been drawn in, activities restricted to routine daily operations in preparation for almost any eventuality. Wall Street will not be caught off base either way the decision goes, nor if judgment is held up another week or more. There is considerable pent-up activity, including some new financing, that could be released quickly upon a decision supporting cancellation. A decision adverse to the government would hold things back longer, while adjustments were made.

**Street Quiets Down**

Having balanced its position as nearly as possible, the Street has assumed a calm contrasting with its frenzied activities of 2 weeks ago. Even foreign exchange operations, expected to produce fireworks this week, have been comparatively quiet. Which indicates judicious and effective manipulation of government stabilization operations on both sides of the Atlantic, probably cooperatively.

So far as private banking circles are concerned, the gold bloc currencies have been paper this week. There was no longer time to engage gold and get it in before a decision on Monday, so gold values no longer restricted fluctuations. After renewed weakness late last week and again at last Monday's opening, however, all foreign currencies ruled comparatively strong against the dollar. They have remained at a sharp discount under the gold export point but not enough to justify payment of the 5% insurance fee which London Lloyds has asked for indemnity against a reduction in gold's value from $35. However, quotations have held far above the lows touched 2 weeks ago, when the dollar shot upward on the first suspicion of a return to old standards.

Government fund stabilization, which took over the function of the incapacitated banks, was aided by the maturing of transactions in connection with the previous gold purchases of private institutions. In a number of cases, banks resorted to a hedging process to reduce their risks in these commitments. They could either borrow foreign exchange to pay for the metal or sell bullion futures, which is possible in London. Closing either type of contract as the gold actually arrived here and could be turned over to the government would help hold dollars down.

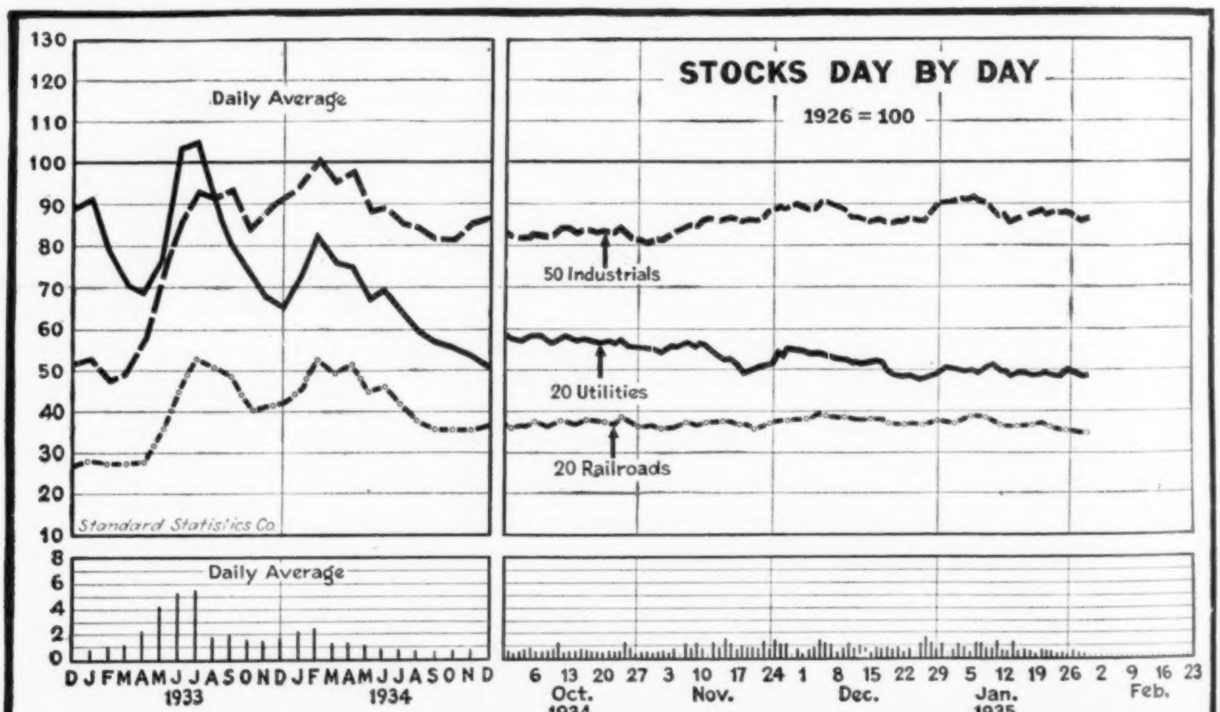
The heavy position taken by the government, said to include both gold held abroad and foreign bills in this market, will help on the other side of the market in meeting the repercussion and the falling off of the dollar against foreign currencies which would be the natural result of a decision upholding gold contract concellation. The longer-term effects of the acute disturbances will attract attention in time; interest now centers in immediate price movements. The episode has been of no help to the tottering gold currencies and brings nearer the time when they will have to abandon the standard unless stabilization agreements are speeded up. The loss of gold, much of which will not return, is not so important as the further shock to confidence of nationals when they see their money sold down below gold export levels and hanging there for long periods.

**Washington Radicals Curbed**

Events in Washington have given conservative financial interests some satisfaction. Failure of radicals to hang inflationary appendages to the RFC extension amendments or the bond issuance bill indicate that the White House is still in command—which has come to mean orthodoxy in fiscal matters.

The House did add to the RFC's lending power beyond extensions originally sought (*BW—Jan26'35*) by one amendment designed to put the government into the instalment finance business and another to liberalize its direct industrial loan policy. The last would substitute "reasonable assurance of repayment" for "adequate security" in the hope of getting credit out of hard-pressed business and industrial concerns a little faster. Under the present authorization, only $35 millions of loans have been approved, only $100 millions of applications received.

The instalment credit amendment ties up with the Administration's work-relief program. Under it, RFC would



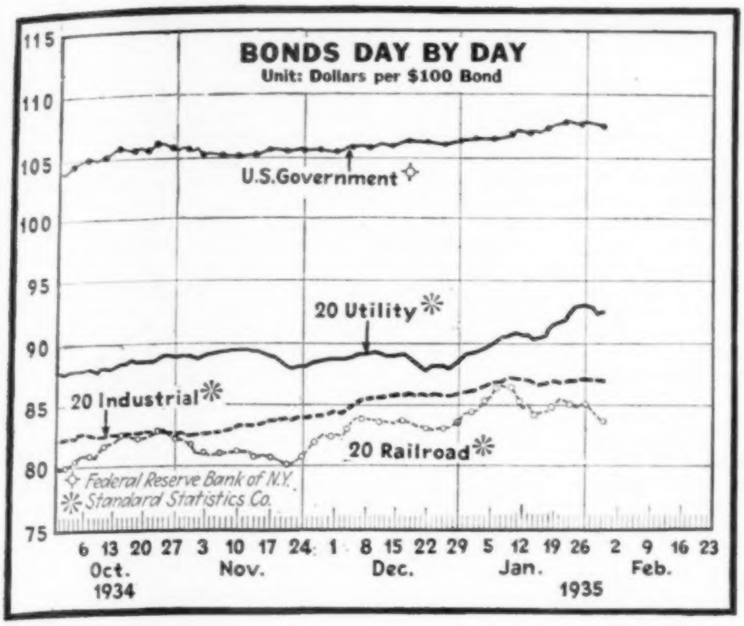
aid finance companies which discounted notes for purchasers of electrical appliances, plumbing fixtures, and air-conditioning equipment. Arrangement for appliance financing confirms the suggestion that rural electrification is to be pushed in the relief work campaign, but through private finance companies rather than the Electric Home and Farm Authority, the TVA subsidiary that lends directly on electrical equipment purchased in the Tennessee Valley and may extend its operations countrywide.

**May Extend Housing Aid**

The plumbing and air-conditioning financing merely closed a loophole in the Federal Housing Act which made no provision for this kind of modernization. At the same time, however, a bill has been introduced in the House to revamp the Housing Act so as to provide government financial assistance in another direction. The proposal is to increase the maximum insurable remodeling loan from $2,000 to $50,000 to cover factory repairs and remodeling.

Still another proposal being discussed is the creation of a $22-million intermediate credit bank for industry, such as the Department of Commerce and the Viner Committee found to be needed.

# Bonds




THE bond market, earlier exception to the stagnation that has recently characterized financial operations, went dead on its feet this week, values dropping of their own weight after turnover fell off and then stabilizing in a listless fashion. Even government obligations gave ground and differentials between gold clause and legal tender issues reappeared. Investment demand was less urgent although it was the factor that cushioned the drop in prices. A limited amount of profit-making came into the market as a result of its recent spectacular advance.

Plans for new financing were pushed ahead against the time when present uncertainties will be removed, court approval of the Studebaker reorganization adding an interesting piece of business to the prospective list. This will be the first large reorganization undertaken under Section 77-B of the Bankruptcy Act. It involves an offering to common and preferred stockholders of $6.4 millions of new debentures underwritten by a banking group, a considerable undertaking in a long-dormant market. Incidentally, it is the first motor reorganization since that of Maxwell in 1921, although there has been refinancing for Dodge and a number of consolidations since that time.

Other prospective financing includes $25 millions of refunding for Swift & Co. and a similar amount for American Tobacco, the latter in connection with the funding of its Tobacco Products brand lease. There is talk that some of the private financing done before revision of the Securities Act regulations may be reoffered publicly after the gold clause decision, if the market is in receptive condition.

**SEC Eyes Private Offerings**

The Securities and Exchange Commission is trying "moral suasion" to stop private offerings, not only because it would prefer registration of the issues but also because it wants the public given a chance to participate. Rather than seek more definite legislation on the matter, however, the commission has promulgated an interpretation of its provisions which tends to throw limits around the exemption as it has been generally understood. The SEC will look far beyond the mere number of buyers who finally participate in the financing, its counsel indicated, thereby upsetting the 25 investors theory. Its opinion on whether or not the transaction was actually private will be determined by the number of parties contacted in an offering, the number and denomination of securities issued, whether or not a banking intermediary was used.

The Treasury got its additional bonding power as requested (*BW—Jan26 '35*) but not before extended debate on the proposition of eliminating income tax exemption from government bonds. Secretary Morgenthau, having in mind the $100 millions of income that avoids taxation yearly, would like to have exemption removed, but has not found a way to accomplish it.

Federal obligations already suffer marketwise in contrast with those of states and municipalities, which are fully exempt even to surtaxes which levy against governments. But to remove exemption from states and cities would require a constitutional amendment and there is considerable question whether one could get through. Enough "states' rights" men survive to put up lots of fight.

# Stocks

OPERATIONS in the stock market have dropped to a point where a nominal volume of investment buying, largely odd-lot or cash business, is about sufficient to absorb the dribble of liquidation coming out of speculative accounts. Professionals have practically withdrawn from trading which remains featureless except for the sagging in utility and railroad shares.

Despite the fundamentally favorable developments for the more distant future of the railroads, sentiment is unfavorable to their stocks. Prospects of further government aid, the outlook for regulation of their competitors, even the considerable upturn in their December earnings and the promise of further improvement in traffic fail to stir the market. As a matter of fact, the Street feels the very attempts to gain a better position for the carriers advertises their plight.

Soft-pedaling of the drive to get lower rates on electrical power has not offset market reactions to the preparations for eliminating the holding companies from the utility field and traders have started wondering about the possible extension of that program to other types of holding companies, as suggested by the FTC, particularly those of railroads.

Announcement of elaborate plans to cultivate the field for electrical appliances would have been of great help to electrical manufacturing concerns in a friendlier market. However, the market is disregarding a budget of favorable industrial news that should have been generally helpful. In this current neglect of new developments there is material for a sharp rebound almost regardless of how the gold clause case comes out.

The SEC cleared up the annual report question that has tended to delay publication of statements this year by ruling that pamphlets to stockholders did not come under regulations applying to official statements to be filed with it. Most corporations will follow their customary style of condensed income account and balance sheet, accompanied by the president's letter.

# Commodity Markets

COMMODITY trading has reached a state of virtual paralysis during the period of monetary uncertainty. After the initial skid of prices in the second week of the year, the downward movement has been a mere drift. Quotations are set by the interplay of speculative liquidation and trade buying. The speculative long position is too small to create price-breaking pressure. Trade buying has been reduced to a minimum, consuming concerns avoiding commitments except at the bottoms of the intermediate price swings. Decision time on the gold clause is too near for any ambitious short operations but the same factor restrains speculative purchases.

Exemptions from this stalemate are in effect on commodities less affected by speculation and on farm products which have felt the influence of the persistent cold weather. Livestock and its products, dairy and poultry items continue spectacularly strong.

### Forgotten Factors

All emphasis has been on the unfavorable angles recently, because of the pessimism generated by price weakness. In cotton and wheat, the two most important commodities, attention is centered on agitation for the United States and Canada to abandon price control devices. This interest ignores the fact that there is practically no free supply of North American cotton or grain for world markets, that the Administrations in Washington and Ottawa give little indication of changing tactics, that the overseas markets are showing keener interest in both commodities.

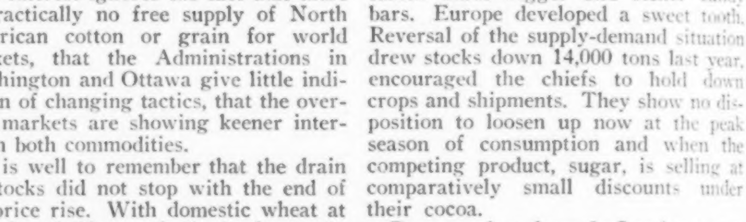
It is well to remember that the drain on stocks did not stop with the end of the price rise. With domestic wheat at 95¢, the visible supply is the lowest in 6 years. World supplies of American cotton are down to normal for this season at 20.4 million bales against 24.5 to 25.8 millions in the previous 3 seasons. Rubber consumption set a new high in 1934, tire manufacturing is having the same spurt the motors are, and, with production restrictions in effect, stocks are in for a sharp reduction.

In sugar, Cuba's staggering surpluses of two seasons back have been eliminated. At the moment, raw stocks carried over from last year by domestic refiners, estimated at 390,000 tons, and resumption of shipments by both Cuba and Puerto Rico, offset the current high rate of consumption to give the market a nice balance. Were it not for liberal current supplies, the heavy melting by refiners, to catch up after their frugal operations in the closing months of 1934, would mean fireworks.

### Jungle Crop Control

African native chiefs, who control cocoa's production, learned crop control after being misled by the abnormally high prices of 1926-27 and glutting world markets at the expense of their own profits. A year ago, stocks of their products in New York totaled 68,500 metric tons. But where use of cocoa has normally grown about 6% a year, the cheap supplies accelerated its consumption. American candy manufacturers made bigger and richer candy bars. Europe developed a sweet tooth. Reversal of the supply-demand situation drew stocks down 14,000 tons last year, encouraged the chiefs to hold down crops and shipments. They show no disposition to loosen up now at the peak season of consumption and when the competing product, sugar, is selling at comparatively small discounts under their cocoa.

Repercussions from the London peanut crash (page 34) were slight, although it precipitated some British liquidation.



# Editorially Speaking—

BUSINESS men are being told by Washington commentators that the President's hostility toward big utility holding companies is a consistent piece of his philosophy, that he is the foe of Bigness in any kind of business. They predict that the move against the utility giants is but the precursor of similar drives against other large corporations.

We doubt the prediction. Indeed, we believe this interpretation of the Roosevelt thinking is wholly mistaken. It doesn't check with anything in the record.

LET'S look at the record:

Railroads: Roosevelt is for consolidations to make big ones bigger. Is for aiding their financial reorganization. Is distinctly friendly.

Oil: The trouble has been with the little fellows, not the big ones. The Administration has been friendly to the big companies in every attempt to conserve oil and to prevent crazy price wars.

Automobiles: Most favored industry, so far as the labor code is concerned. Main worry now is to distribute peak of employment. No effort to hamstring.

Steel: Nothing unfriendly, unless efforts to get price reduction be so regarded. They are partly to help railroads, partly to provide employment.

Banks: Reforms are aimed at regulation, change in control, separation of functions. None aimed at size of institutions.

Big Electric Manufacturers: Every indication of friendliness.

Communications: Apparently a desire to merge Western Union and Postal.

Chain Stores: No Administration hostility. All attacks are from states or from Capitol Hill.

NOBODY would try to show that Roosevelt is the buddy of Big Business. He is against speculative profits of any kind. He believes profits should never be big. He is for a lot of drastic regulation that Big Business doesn't like. But there's nothing to show that Bigness, per se, annoys him. On the contrary.

EVEN the radicals in his entourage are split on this. The intellectuals hate Big Business—believe in smaller units. The horny-handed radicals are for Bigness. Labor usually can get a better break from the big fellows, even though it has to fight for it.

WHY the anti-utility complex? Its genesis is simple enough. The utility men fought Roosevelt's nomination. The fight became bitter. Had the big utility men rallied the operators to their support, he would have been beaten—simply because the fight was so close that any additional weight would have beaten him. Most people never knew this, or if they did, have forgotten. But Roosevelt hasn't. Neither has Louis McHenry Howe. This is not to imply that the enmity is not rationalized by broader considerations of public policy. But the political grudge is there, too.

INCIDENTALLY, the fact that the smaller utility men did not help the big ones fight the nomination has some bearing on the Administration attitude toward operating companies—that they aren't so bad.

WROTE an item last week about a clock that records 1/200 second. The day it came off the press, Western Electric demonstrated right here in our own office a camera timer that takes 2,000 pictures per second, with time records to 1/1000 second. Showed a submachine gun firing, and the bullets drifting lazily across the screen. Our face is a little red.

WHEN George B. Everitt left Montgomery Ward & Co. to make room for U. S. Gypsum's and Morgan's Sewell L. Avery, he went over to a modest little bank that had just been started in Marshall Field & Co.'s new "world's largest business building" on the north bank of Chicago's river. It was in March, 1932, a tough time for a new bank. Nine months before there had been "take-overs" for two big loop banks. Three months later the RFC had to bail out General Dawes' Central Republic.

But an ex-mail order man had ideas about merchandising. His philosophy was to tell the public something about his institution. He has just published his annual report. It is certified by a public accountant. It includes details of profit and loss, undivided profits; a complete list of securities held. It shows a gain of 120% in deposits for the last year, a still modest total of $7 millions, but enough to move the bank up from 26th to 15th ranking in Chicago.

By contrast, at this year's A.B.A. convention one bank's 1892 statement was compared with its latest. The old statement consisted of 5 asset items, 4 liabilities. The new statement carried 6 asset accounts, 5 liabilities.

"BELIEVE it or not, but Mr. Roosevelt said at his press conference yesterday that he had not read the work relief bill."—Raymond Clapper in the *Washington Post.*

Dictated—but not read.

# BUSINESS WEEK

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FEBRUARY 2, 1935

## Politics, Either Way

Discussing the advisability of giving President Roosevelt a blank check for nearly $5 billions for work relief is about as profitable as debating the weather. There doesn't seem to be much that anyone can do about it no matter what opinion he may hold. It is a bit disconcerting to contemplate the ultimate probabilities whether Congress appropriates the $5 billions item by item or President Roosevelt disburses it out of a single fund. But at least, such contemplation should serve to emphasize the fact that the inescapable burdens of the future will be lightened materially if we are able to induce a government policy that hastens the revival of private business and ends political recovery efforts.

It is easy to convince oneself that the very idea of permitting Congress to control these expenditures in detail is intolerable. The fund would promptly become the biggest pork barrel in American history. We are not now discussing the obvious fact that, left to its own devices, this particular Congress would be more likely to put $10 billions into the barrel than $5 billions. Whatever the amount, each congressman would be principally concerned with getting more than a fair share for his district and particularly for his constituents. In order to get what he wants he must make a deal with other congressmen to provide what they want, and log rolling at its worst begins playing with billions of tax money. No absurdity of work relief is beyond the possibility of such a situation, or out of keeping with the record of Congress in such matters.

If the scheme were temporary and self-liquidating, and its primary objective were simply to put money into needy hands against the time when employment is revived, we might tolerate even the worst that might be expected out of such appropriation bills, but the sad fact is that Congress almost never abolishes a job willingly.

Nor is the other side of the picture altogether pleasing. True, President Roosevelt has been rather consistent in promising the worst and spending less than he budgets. Congress would spend the last dollar available. The President would probably finish the year with a substantial surplus in his fund. He has already said explicitly that our one hope of throwing off the burdens of relief lies in the revival of private business. Political expediency alone would seem to suggest the advisability of spending the least money to keep the most people satisfied with the Administration. It should be easier to check and to liquidate any spending organization set up by Administrative proclamation than to destroy those ordained by Congressional enactment.

And yet an unlimited franchise to control the expenditure of $5 billions of relief money would make President Roosevelt's dictatorship of this country complete.

Already there has been built the strongest political machine ever seen in the history of this country, independent of state or regional check and responsible only to the White House. The inherent power of such a fund, however unselfish its expenditure, should make the political power of the Administration absolute for some years to come.

Under such an arrangement the congressman or the senator who wants a public building or drainage project must do his log rolling not with his fellow congressmen but with the Administration. Favorable consideration of the congressional plea implies congressional support of the Administrative program and electioneering among constituents in support of it.

There are the two horns of our dilemma even though the dilemma may be purely spiritual. In the field of practical politics the Senate probably will sputter at great length, save its face by earmarking a few items, and then sign the blank check.

## 30-Hour Bill Won't Die Unaided

Business is still a little punch drunk. Its protests against dangerous Administrative and legislative proposals are still feeble.

This ineffectiveness is nowhere better illustrated than in the feeble opposition of business to the Black-Connery 30-hour bill. It is known that the President is afraid of the bill and therefore it is assumed that he will be able to kill it or any modification of it. The President's legislative majority has failed him in the matter of the St. Lawrence waterway and the world court. No doubt it will fail him again and quite probably in certain matters in which business is depending on the President for protection.

This is not a bill to reduce hours of employment or to spread work in relief of unemployment. It is purely and simply a bill to increase wages by one-third in practically all industrial employment. Not even the most ardent advocate of this bill contends that 36 or even 40 hours a week is harmful to human physique or that there is a social need of several hours more of leisure. If the bill were intended merely to spread work and relieve unemployment it would provide for a reduction of working hours and a compensating reduction in weekly wages. On the contrary, it proposes that working hours be reduced to 30 without any reduction in wage.

Business then should consider this proposed legislation solely as a measure to increase wages in industry by one-third. Even the most guileless ought to know that industry cannot bear such a burden. Far from helping labor it would lead to immediate paralysis, wholesale shutdowns and a vast increase in unemployment.

A complacent confidence that the President can kill the bill is poor insurance. There is no certainty that legislative log rolling may not result in some compromise that will retard recovery perhaps for years. Such protest as business has made has been largely confined to a feeble effort to convince farmers and consumers that they would get the worst of the inevitable inflation that would raise prices to compensate for labor costs. Almost nothing has been done to prove to labor the obvious truth that it would suffer first and probably most from the business collapse that would follow the enactment of the 30-hour law.

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